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ABSTRACT

This business law curriculum guide for use with eleventh or twelfth grade students provides a modular course of study designed to be covered in one school year using a four or five class periods per week schedule. The guide begins with a brief section covering the course objectives, administrative considerations such as abbreviated courses, general suggestions on teaching methods, and basic law references. The remainder of the content is in nine instructional modules which vary in length (from seven to sixteen pages) and allotted classroom time (from five to twenty-five hours) and include a brief introductory statement setting the tone and defining the parameters of the topics to be taught, performance objectives specifying the learning outcomes to be achieved by each student, topical content outline correlated with teaching suggestions for presenting the topics, and illustrative case problems with answers and comments. The titles of the modules are The Individual and the Legal Environment, The Legal Covenant, Personal Property, Real Property, Transportation and Travel, Paying for Goods and Services, Family Protection, Employment and Agency Relationships, and Business Ownership. Thirteen charts for use as visuals are appended. (EM)

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BUSINESS LAW SYLLABUS

1977 Revision

U S DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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THE STATE EDUCATION DEPARTMENT
Bureau of Occupational Education Curriculum Development
Albany, New York 12234

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FOREWORD

Probably few subjects touch the lives of more persons in our society than business law. All of us are frequently involved with making some sort of contract, if just the purchase or sale of goods or services. Law is a "live" subject; it is constantly being interpreted or changed in the pursuit of equal justice for all. Many changes in Federal and State legislation have been made since this Business Law Syllabus was last revised in 1968. Among these are the *Comprehensive Auto Insurance Reparations Act*, *The Motor Vehicle Retail Installment Sales Act*, and 52 changes regarding the age of majority.

A State Curriculum Advisory Committee was convened in Albany to consider recommendations for this Syllabus revision. The Committee developed a new format for teaching this subject. Modules were developed which include content topics correlated with student performance objectives, teaching suggestions, and illustrative case problems.

The Committee, selected on the basis of teaching experience, leadership, and geographic representation, included:

Aaron Buchwald, John Adams High School, Queens
Richard DuBois, Commack High School, Suffolk County
Pauline Hodes, Island Trees High School, Levittown, Nassau County
Jeremiah Jochnowitz, New York State Department of Law, Albany
Daniel Matthews, Shenendehowa High School, Saratoga County
William Sigismond, West Irondequoit High School, Monroe County
Donald Weintraub, Port Washington High School, Nassau County

State Education Department representatives were:

Hobart Conover, Chief, Bureau of Business Education
Robert Fleig, Associate, Bureau of Business Education
Alvin Rubin, Associate, Bureau of Occupational Education Curriculum Development

The Bureau of Occupational Education Curriculum Development, G. Earl Hay, Chief, was responsible for the Curriculum Development Project. Gratitude is expressed to William Sigismond and John Ertle, who were the major writers for this revision. Eileen Rourke of Troy High School and Frank Bressler of The Office of The State Attorney General provided many sample case problems. George Getz, who was the chief writer in two previous revisions, now at Miami-Dade Community College, Florida, and Aaron Buchwald provided information on recent legislation.

Alvin Rubin, Hobart Conover, and Robert Fleig edited and rewrote much of the material provided by the various writers. Mr. Rubin managed this curriculum development project for the Bureau of Occupational Education Curriculum Development.

Teachers are encouraged to review this Syllabus thoroughly because of the rearrangement of the content of the major topics and the unique features built into the instructional modules.

In presenting each unit:

- A brief introductory statement sets the tone and defines the parameters of the topics to be taught.
- Specific performance objectives then help the teacher to pinpoint the learning outcomes to be achieved by each student.
- Teaching suggestions provide many helpful hints for presenting the topics selected by the State Advisory Committee.
- Case problems at the end of each module and illustrative charts in the Appendix can be used in a variety of ways to enchance student learning.

Teachers may want to add topics of local interest as time permits. Many supplementary materials are available from textbook publishers.

Since the effectiveness of this publication can be measured by indications of its value to the classroom teachers, your comments and reactions and requests for assistance in implementation will be welcomed by the Bureaus listed below.

The Bureau of Occupational Education Curriculum Development

and

The Bureau of Business Education

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General Objectives

One of the principal reasons for the popularity of business law in the high school program is the relevancy of the subject matter. The law touches the lives of each of us and helps to establish parameters for our legal rights and obligations. Law is also a moving force within our society; change of emphasis in the law reflects societal changes — changes in society's ideals, goals, our values as well as current problems confronting the relationship of individuals with one another.

Business law has always had three primary objectives: vocational, personal, and societal. Although the vocational and personal use objectives are still dominant, man's relationship to man in today's society has brought the societal objective to the fore in precedent-setting cases. Today all individuals are increasingly concerned with any personal or business activity that infringes on their personal rights or deprives them of their constitutional freedoms. Young people are also increasingly aware of the social and consumer legislation desirable in today's society as well as their obligations to government and their fellow man. This new syllabus reflects these changing values and goals.

The general objectives of the course are to:

- Create an environment in which the student can apply his/her understanding of the principles of business law to a variety of situations affecting the daily activities of American workers and consumers.
- Teach, through practical subject matter, some of the basic characteristics of the American system of free enterprise: rights of private property, freedom to trade, inviolability of contracts, government of law rather than government of men, dignity and worth of the individual, uniformity of (as well as differences in) state laws, and tradition of moral standards.
- Make the student aware of the presence of legal requirements in a variety of the day-to-day business transactions so he or she may avoid legal entanglements because of a working knowledge of his/her rights and obligations.
- Teach the purposes and uses of common legal documents.
- Develop a respect for and understanding of business law and law enforcement as they affect personal, family, and occupational pursuits.
- Create a keen awareness of the need for legal assistance in a variety of business and personal activities.
- Develop ability to reason and to solve problems through the interpretation of common legal situations.
- Provide the foundation for career exploration in the field of law.

Administrative Considerations

Business Law is one of the primary options in each of the sequences outlined in the *Administrative Handbook for Business and Office Education*. As explained in this chapter, the course of study is designed to be covered in one school year. It is suggested that business law be scheduled as an eleventh or twelfth grade course and taught four or five class periods per week, with equivalent outside preparation, for one unit of credit.

It will be noted that the content of the syllabus has been divided into nine instructional modules. In order that the greatest number of students may profit from the study of Business Law, some schools may elect to offer certain of these instructional modules as two half-year courses or as four quarter-courses. Later in this chapter suggestions are made for scheduling the instructional modules in these shorter time patterns.

Business Law, as identified in the several business education curriculums and sequences, should be presented over a full school year. Students who expect to be working in offices or in other business careers will profit from this more extended treatment and from the total range of topics included in the syllabus. Where Business Law is identified in a three-unit major sequence, the passing of the State Regents examination is necessary to meet Regents diploma requirements. Students electing Business Law for a Group 3 elective credit may, however, be scheduled for either a school or Regents examination.

The study of Business Law is believed to be that significant to the preparation of Business Education majors that every effort should be made to provide this instruction either as part of a three-unit business *sequence* or as an elective in one of the recommended five-unit Business Education *curriculums*.

HALF-YEAR COURSES

As indicated earlier, the syllabus outline has been divided into nine major topics. A half-year or one-semester course may be constructed by teaching Module 1 and Module 2, plus as many selected modules as time will allow and which are of interest to the students. Similarly, a one-semester course may be provided by selecting major topics from each of the nine modules. Obviously, this latter procedure will permit only very cursory coverage of several of the topics and rule out enrichment activities to supplement the text. This abbreviated treatment is recommended only for classes made up of above-average students who are able to digest the content readily and who might be motivated to pursue some of the omitted topics on their own.

THE QUARTER COURSES

Some schools may prefer to schedule the nine major topics as follows:

1st Quarter

- The Individual in the Legal Environment
- The Legal Covenant

2nd Quarter

- Personal Property
- Real Property

3rd Quarter

- Transportation and Travel
- Paying for Goods and Services

4th Quarter

- Family Protection
- Business Ownership
- Employment and Agency Relationships

To earn a half-unit of Regents credit, two of the quarter-courses must be completed. Students should not be permitted to earn less than a half-unit in this content area.

The quarter-courses may be scheduled in various sequential patterns. The content of the first quarter, however, is basic to each of the others and should always be completed before selecting from the 2nd, the 3rd, or the 4th quarters. A student may also elect quarter-course 1 and 2 during the eleventh year and 3 and 4 during the twelfth year, as long as quarter-course 1 precedes the others.

FLEXIBILITY

The flexibility of this syllabus will accommodate many students who previously were not able to study Business Law. Business Law may now be dovetailed with several other half-year electives. For some students this may be their only exposure to the operation of law in the business world. Even this brief treatment may encourage students to study law in college.

The following content may be offered as a half-unit elective in meeting Group III requirements for the State High School Diploma. This course of study should only be used in schools having scheduling difficulties at the eleventh and twelfth grades. The objectives as stated in the full-year modules will have to be redefined in light of the suggested hours allocated to each topic below.

	THE INDIVIDUAL IN THE LEGAL ENVIRONMENT
	Meaning and Necessity for Law
	Origins and Development of American Law
7	Civil Wrongs
HOURS	Criminal Wrongs
	Federal and State Court Systems
	Steps in Litigation
	THE LEGAL COVENANT
	Definition of a Contract
	Classification of Contracts
16	Essentials of a Contract
HOURS	Operation of a Contract
	Bankruptcy
	Statute of Limitations
	PERSONAL PROPERTY
	Definition
	Property Rights
10	Obtaining Ownership
HOURS	Protection for the Purchaser
	Remedies for Breach of the Purchase Contract
	Obtaining Possession But Not Ownership
	REAL PROPERTY
	Definition
	Acquiring Ownership of Realty
10	Modes of Ownership
HOURS	Renting Real Property
	Protection of Real Property and Potential Liability
	TRANSPORTATION AND TRAVEL
	Ownership and Operation of an Automobile
10	Automobile Insurance
HOURS	Carriers of Goods and People
	Hotels, Motels, and other Accommodations
	FAMILY PROTECTION
	Wills and Inheritance
7	Personal Insurance
HOURS	Government Assistance

Schools offering "mini-courses" should give serious consideration to including a thirty-hour module on business law. All tenth, eleventh, and twelfth-grade students will benefit from this legal overview. To some students, it will be their only exposure to law and the business world; to others, it will be a motivator to enroll in the full-year business law course. Obviously, because of the time limitation, treatment of the following topics will have to be of a superficial nature.

	THE LEGAL COVENANT
	Definition of a Contract
	Classification of Contracts
10	Essentials of a Contract
HOURS	Operation of a Contract
	Bankruptcy
	Statute of Limitations
	PERSONAL PROPERTY
	Definition
5	Property Rights
HOURS	Obtaining Ownership
	Protection for the Purchaser
	Remedies for Breach of the Purchase Contract
	Obtaining Posesssion But Not Ownership
	REAL PROPERTY
	Definition
5	Acquiring Ownership of Realty
HOURS	Modes of Ownership
	Renting Real Property
	Protection of Real Property and Potential Liability
	TRANSPORTATION AND TRAVEL
	Ownership and Operation of an Automobile
5	Automobile Insurance
HOURS	Carriers of Goods and People
	Hotels, Motels, and other Accommodations
	FAMILY PROTECTION
	Wills and Inheritance
5	Personal Insurance
HOURS	Government Assistance

General Teaching Suggestions

This syllabus provides an outline of content for each module correlated with a variety of teaching/learning activities. The suggested course content provides a foundation for understanding legal principles as they apply to business and personal use. The conscientious Business Law instructor is urged to use his/her imagination and enthusiasm to expand on the suggested topics or to delve into new and relevant areas of business law as they emerge.

The presentation of material in each module consists of content, background information, teaching suggestions, illustrative cases. General teaching suggestions which follow are offered as alternative methods for presenting this material to students.

THE VISUAL PRESENTATION

"One picture is worth a thousand words." Visual presentation in this context would include well-executed chalkboard presentations, exhibits of legal documents and business papers, local newspapers, films and filmstrips, and overhead transparencies. The suggested references at the end of this syllabus include commercial suppliers of visual materials. In addition to these sources, teachers should investigate the availability of teaching/learning materials from their local Board of Cooperative Educational Services (BOCES). Many BOCES maintain libraries of materials which are available on a loan basis to individual schools. The charts in Appendix D of this syllabus may also be used to prepare overhead transparencies.

THE CLASS DISCUSSION

The judicious use of visual presentation does not infer elimination of the teacher's verbal presentation. The teacher's comments and lead questions are the keys to a most effective learning activity, the class discussion. Discussion in a business law class is a necessity; rote memorization of legal principles in itself is of questionable residual value. In order to develop a better understanding of certain legal principles, several approaches may be used, such as a class discussion, a case problem, analysis of a news item, and/or use of a guest speaker.

The teacher's task in connection with class discussion is twofold: (1) to generate an exchange of ideas, and (2) to minimize the intrusion of diverting or unrelated questions. The lack of questions from students may indicate a lack of understanding or a lack of interest. Business law teachers must, therefore, constantly reevaluate their effectiveness in guiding discussion and in selecting the "right" mode of presentation for the "right" moment.

OTHER INSTRUCTIONAL MODES

Business law is a "live" subject, and the alert teacher will introduce a variety of teaching/learning activities during the course to enrich the presentation of material in the textbook.

- The Law Library

  Material in a textbook has to be kept up to date and must reflect changes in New York State laws. Pamphlets, brochures, case citations, and supplemental texts should be brought together in one location. The "law library" can become the written source for individual or group investigations.

- Building a Law Vocabulary

  Any unique discipline has "a language of its own," and law is no exception. Understanding of legal principles depends, in part, upon the understanding of legal terms.

- Guest Speakers

  Experienced teachers have had lawyers, insurance agents, law enforcement officers, elected officials, and representatives from State and Federal agencies (Motor Vehicle Bureau, State Attorney General's Office) speak to their classes. Most are receptive to an invitation to speak. Their effectiveness depends upon the groundwork laid by the teacher. Be certain that guest speakers know exactly what they are expected to talk about. Provide them with an outline beforehand.

- Projects

  Participation in peer-group activities is a proven learning application. Panel discussions, oral and written reports, role playing, contracts, and "projects" are some of the many possibilities. Projects may be individual endeavors, such as compiling a scrapbook of newspaper clippings pertaining to civil and criminal actions, or a total class involvement, such as the purchasing of stock.

- Sample Case Problems

  The cases presented at the end of each module are meant to be illustrative only of modern applications. Space does not permit providing a case for every topic presented in each module. The number of cases devoted to a particular topic is not indicative of the emphasis to be given that topic. Wherever possible, the cases are given to help present recent changes in business law or modern applications of classic principles.

It is an old axiom that one approach will not appeal to all students. However, each student should be afforded the opportunity to participate. The effective teacher of Business Law will provide an intelligent mix of verbal and visual activities to achieve this goal.

BASIC LAW REFERENCES

Attorneys and law clerks, in preparing for a legal action, do their research on precedents and legislation in court libraries, or, if their firm is large enough, in their own libraries. Some local business law teachers will be located near a court library or a public library containing some of the general law references and encyclopedia. If not, school district administrators and school attorneys have *McKinney's Consolidated Laws of New York State* and other multi-volume references on hand for interpretation of court and administrative precedents and State and Federal legislation. Resourceful business law teachers will make arrangements for their students to have access to some basic law references in order to obtain the latest citation or opinion in completing class assignments or to be exposed to the research function of possible legal or paralegal careers.

General references and encyclopedia usually cover all aspects of law; but sample volumes have been selected to show their correlation with the topics contained in the modules of this revision of the *Business Law Syllabus*.

The following partial listing was developed with the assistance of Jeremiah Jochnowitz, Assistant Attorney General of the New York State Department of Law and Nancy Stirling, State Law Librarian of The New York State Department of Education.

- *Abbot's New York Digest*, 2nd series. Rochester, N.Y., Lawyers Cooperative Publishing Co. 1954 -
- Appleman, John A. *Insurance Law and Practice*, 26 Volumes. St. Paul, Minn., West Publishing Co. 1941 -
- Blashfield, DeWitt C. *Automobile Law and Practice*, 17 Volumes. St. Paul, Minn., West Publishing Co. 1965 -
- *Corpus Juris Secundum*, 106 Volumes. St. Paul, Minn., West Publishing Co. 1936 -
- Crane, J.A. and Bromberg, A.R. *Crane and Bomberg on Partnership*. St. Paul, Minn., West Publishing Co. 1969 -
- *Digest of U.S. Supreme Court Reports*, 20 Volumes. Rochester, N.Y., Lawyers Cooperative Publishing Co. 1948 -
- Fletcher, William M. *Cyclopedia of The Law of Private Corporations*, 20 Volumes, with pocket supplements. Chicago. 1931 -
- *The Hornbook Series*. St. Paul, Minn., West Publishing Company.
  Selected examples:
  Bogert, G.G. and Bogert, G.T. *Handbook of The Law of Trusts*, 5th ed. 1973
  Chommie, John C. *The Law of Federal Income Taxation*, 2nd ed. 1973
  Davis, Kenneth K. *Administrative Law Text*. 1959
  Henson, Ray D. *Handbook on Secured Transactions under The Uniform Commercial Code*. 1973
- Prosser, William L. *Handbook of The Law of Torts*. 4th ed. 1971

- *Loose Leaf Services* issued by:
  The Bureau of National Affairs, Washington, D.C. 1955 -
  Commerce Clearing House, Chicago, New York, etc. 1935 -
  Prentice Hall, Inc., New York. 1936 -
  Selected topics: Consumer Credit, Employment Practices, Labor Relations, Criminal Law, Social Security

- *McKinney's Consolidated Laws of New York State Annotated.* St. Paul, Minn., West Publishing Co. 1916 - Kept up to date by pocket supplements and replacement volumes.

Book	Topic(s)
6	Business Corporations Law
17B	Estates, Powers, and Trusts - 3 volumes
19	General Business Law
23A	General Obligations
27	Insurance
28	Partnership
29	The Judiciary
29A	The Judiciary Court Acts
40	Personal Property
49, 49A, 49½	Real Property
62½	Uniform Commercial Code - 3 volumes

- Michie, Thomas J. *The Law of Banks and Banking*, 9 Volumes. Charlottesville, Va., Michie Co. 1931 -

- *Modern Federal Practice Digest.* St. Paul, Minn., West Publishing Co. 1960 -

- *New York Jurisprudence*, 74 Volumes. Rochester, N.Y., Lawyers Cooperative Publishing Co. 1958 -

Volume	
9, 10	Contracts
11, 12	Corporations
14	Decedent's Estates

- Page, William H. *Page on The Law of Wills*, 8 Volumes, Cincinnati, W.H. Anderson Co. 1960 -

- *Restatement (2nd) of The Laws of: Contracts, Agency, Torts, etc.* St. Paul, Minn., American Law Institute. 1965 -

- Schwartz, Bernard. *The Law in America, A History.* New York, McGraw-Hill. 1974.

- Sherry, John H. *Laws of Innkeepers for Hotels, Motels.* Ithaca, N.Y., Cornell University Press. 1972 -

- *U.S. Supreme Court Digest*, 17 Volumes. St. Paul, Minn., West Publishing Co. 1943 -

- Williston, Samuel. *Williston on Contracts*, 15 Volumes, with yearly supplements. New York, Baker, Voorhis & Co. 1957 -

- Williston, Samuel. *Williston on Sales*, 4th ed., 3 Volumes. Rochester, N.Y., Lawyers Cooperative Publishing Co. 1974 -

MODULE 1. THE INDIVIDUAL AND THE LEGAL ENVIRONMENT
(Cover in approximately 10 classroom hours)

We attain the advanced state of social, political, and economic development we call civilization by planning and working together. This mutual effort is facilitated through organization; and organization depends upon a system of law. In the words of the American Bar Association, *law is the cement that holds a free society together.* Law is also the intangible force that makes freedom and progress possible.

The presentation of this introductory unit will tax the ingenuity of the teacher and will require a planning effort. In addition to the acquisition of knowledge about the kinds of law which exist in civilized societies and their nature and significance, desirable attitudes toward law and legal institutions should be emphasized as student learning objectives.

There are four charts in Appendix D, which may be converted into visuals for this module. They show The Federal and State Court Systems, Initiating a Lawsuit, and The Trial.

Upon completion of this module, the student should be able to:

- Give 3 reasons for the maintenance of law and order.
- Distinguish between natural law and man-made law.
- Name 2 European bodies of law upon which much of American law is based.
- Describe 4 sources of American written law.
- Identify 3 sources of American business law.
- Name 3 sources from which U.S. citizens derive their rights and responsibilities.
- List 5 civil rights or freedoms derived from the Bill of Rights.
- In descending order of jurisdiction, name 5 Federal courts.
- Name 5 N.Y. State Courts in descending order of jurisdiction.
- Name 3 kinds of local courts.
- Distinguish between a felony and a misdemeanor.
- List 10 kinds of felonies.
- List 3 kinds of misdemeanors.
- Distinguish between a juvenile delinquent and a youthful offender.
- Name 5 torts.
- Identify 2 remedies for torts committed.
- Identify 5 steps in a trial procedure.
- Solve case problems pertaining to the content of this module.

Content	Teaching Suggestions
A. Meaning and Necessity for Law	
1. Individual vs. Group Rights and Responsibilities	Emphasize: Law helps man and society to conform to certain standards. Law is an expression of the moral, social, and economic desires and aspirations of society. In our society, each citizen acquires rights and obligations in his/her dealings with others. Through a body of rules and customs which are enforceable by the courts, the rights of the individual can be protected.

Content	Teaching Suggestions
2. The Law and Order Synachism a. Protection of private property b. Protection against personal injury c. Right to bear arms d. Personal protection against crime	Encourage students to cite examples of the importance of law in their daily life; i.e., obtaining a driver's license, obeying traffic regulations, conforming to school rules and regulations. Draw a parallel between an organized sporting event and the functioning of local government to illustrate that law is an alternative to chaos. The breakdown of law and order can be equated with not following the rules of the game nor abiding by the referee's decision.
3. Definition of Law	The rules of conduct that society will enforce through a system of law enforcement, courts, and regulatory agencies.
B. Classifications of Law	
1. Natural Law	Contrast the laws of nature with the laws of man. The natural laws of gravity, diminishing returns, action and reaction are constant and unchanging. Man's laws are not static; they are amended and changed as society sees the need.
2. Moral Law	Emphasize that moral law is concerned with good conduct, truthfulness, consideration for others and other forms of social behavior that are prevalent in our society. Point out that moral law often becomes the basis for man-made law.
3. Man-Made Law a. International law b. National law c. State law d. Municipal law	Explore with students the effect of space flights on the need for international legal order. Point out that the risks of a continued arms race may compel countries to resort to dramatic ventures in international law making. Cite the use of poison gas and germ warfare as evidences of the need for international law. Discuss the role of the United Nations in the effort to maintain international law.

Content	Teaching Suggestions
C. Historical Development of Law 1. Roman Civil Law 2. English Common Law 3. Law of Equity	Point to the Roman civil law and English common law as the historical foundation of the American legal system. Emphasize that our present legal system is based on customs, traditions, and prior court decisions. Bring out the fact that English common law is based on the rule of precedent; that civil law is written into legislative codes.
D. Sources of Written Law 1. Constitutional Law a. Federal b. State 2. Statute Law a. Federal b. State c. Local ordinances 3. Court Decisions — Precedents a. Federal b. State 4. Administrative Law — Regulations a. Federal b. State 5. International Law — Treaties	Distinguish between common law and statute law by asking students to name two or three recent laws passed by the U. S. Congress, by the New York State Legislature, or by local legislative bodies. Why were these laws enacted? Stress the fact that local laws may not be in conflict with State law; that State law may not be in conflict with Federal law. Cite illustrations of the need for administrative law in connection with the functioning of various Federal and State agencies.
E. Business Law 1. Origin: The Law Merchant 2. Scope a. Civil law b. Criminal law 3. Legal and Moral Obligations 4. The Uniform Commercial Code	The law merchant was based on the customs of merchants and traders. Hence, the law merchant eventually formed the basis of our common law. Point out that the adoption of the Uniform Commercial Code has caused state laws governing business transactions to become more standardized (uniform) throughout the various states. Emphasize that the Uniform Commercial Code applies a higher standard of conduct to merchants engaged in a business than it does to individuals.

Content	Teaching Suggestions
F. Rights and Responsibilities as Citizens	Examine the Federal and New York State constitutions for sections dealing with the fundamental rights of citizens.
1. Origins of Rights a. Federal and State constitutions b. Federal and State statutes c. Common law	Discuss recent court actions and/or laws dealing with human rights. Emphasize that with every right there is a responsibility to be observed.
2. Fundamental Freedoms, Rights and Responsibilities a. Rights • Natural rights — "Life, liberty, and the pursuit of happiness." • Civil rights —Freedom of speech —Freedom of religion —Freedom of the press —Freedom of assembly —Sanctity of the home from unreasonable search or seizure —Equal protection under the law —Due process of law —Private ownership of property • Political rights —To hold office —To vote	Stress the fact that there are limitations on our freedoms. One cannot, for instance, advocate the overthrow of the government nor can one act or speak so as to harm another. Cite recent instances of the invasion of private property by various levels of government. Cite various U. S. Constitutional Amendments that support or protect various rights and freedoms. Explain the meaning of citizenship and the basis for citizenship in our Federal Constitution. Examine the protections provided under the due process clause of the U.S. Constitution; i.e., self-incrimination, double jeopardy, trial by jury. Examine the impetus of student unrest in the 1960's as a cause of the 26th Amendment of the U. S. Constitution, effective July 5, 1971. This Amendment reduced the voting age in Federal and State elections from 21 to 18. Students could debate several questions in regard to the 26th Amendment: • Will the lowered voting age make youth more responsible citizens? • Are there proportionately more 18-20 year-olds voting than those 21 and over? • Are today's 18-, 19-, and 20-year-olds more aware, better informed, more mature than their predecessors?

Content	Teaching Suggestions
b. Responsibilities of a citizen	Point out that the right of private ownership may also be curtailed if one does not pay his taxes or just debts. Political rights may also be limited by office or voter qualifications.
G. Federal, State, and Local Court Systems	Charts #1 and #2 illustrate the United States Court System and the court structure in New York State. Through use of a thermal copier, masters may be made to prepare printed copies for each student or to make transparencies for use on the overhead projector.
1. Federal a. U. S. Supreme Court b. U. S. Court of Appeals c. U. S. District Courts d. Court of Claims e. Court of Customs and Patent Appeals f. Customs Court g. Tax Court	A fruitful and time-proven teaching/learning activity in a business law course is a field trip to a local court to observe a case in action. As profitable as this experience may be, the teacher should plan the trip carefully and consider the types of cases that are likely to be in session. Bring out the limitations of several of these courts. Discuss the procedures that may be taken in order to settle a suit before it comes to trial.
2. State a. Court of Appeals b. Appellate Division of The Supreme Court c. Supreme Court d. Court of Claims e. Surrogates Court f. Family courts g. County courts	Explain the purpose of the grand jury in criminal actions. Point out that the grand jury conducts a preliminary hearing only; they conduct investigations under the guidance of the district attorney to determine in their minds whether they believe that a crime has been committed.
3. Local a. District courts (Nassau and Suffolk) b. Town courts c. City courts d. Village courts e. Small claims courts	Point out that an indictment by a grand jury does not mean that the party named in the instrument is guilty of the crime charged, only the belief on the part of the grand jury that the party named may be guilty of the crime. Contrast the role of the grand jury with that of a trial jury.

Content	Teaching Suggestions
H. Criminal Wrongs	Discuss failure to file income tax returns, to meet child labor laws, to label goods properly, and violations by merchants of laws relating to weights and measures as other types of criminal wrongs.
1. Felonies a. Murder b. Robbery c. Bribery d. Arson e. Larceny f. Extortion g. Receiving stolen goods h. Embezzlement i. Forgery j. Perjury k. False pretenses l. Conspiracy m. Kidnapping	Elicit examples of crimes from students and have them classify them as felonies or misdemeanors.
2. Misdemeanors a. Disorderly conduct b. Disturbing the peace c. Speeding d. Drunkenness	Federal, State, and local statutes classify crimes and provide for the minimum and maximum penalties.
3. Penalties: Fine, Imprisonment, or Both	Explain to students that certain minor misdemeanors are now referred to as infractions and include such acts as littering of streets or highways, parking overtime, or failure to put money in a parking meter. Such offenses are usually tried without a jury and are punishable by a fine.
4. Juvenile Delinquents (under age 16)	Explain that misdemeanors are usually punishable by fine and/or confinement in a city or county jail.
5. Youthful Offenders (Ages 16-19)	Discuss the advantages and disadvantages of the Family Court System.
I. Civil Wrongs	
1. Types of Torts a. Assault b. Battery c. Trespass d. Nuisance e. Conversion f. Defamation • Libel • Slander g. Negligence h. False arrest i. Fraud j. Deceit	Students are usually eager to discuss the various torts that appear in daily newspaper items. A discussion of torts should also include identifying circumstances under which parents are liable for the torts of their children.
2. Remedies a. Money damages b. Specific performance c. Injunction	Check the latest State legislation regarding parental responsibility and penalties for juvenile delinquents and youthful offenders.

Content	Teaching Suggestions
3. Responsibility of a Minor for Torts	
J. Steps in Litigation (Civil Action)	
1. Parties a. Plaintiff b. Defendant	Other parties involved in such an action would include the process server and attorneys.
2. Pretrial Procedures a. Complaint b. Summons c. Pleadings d. Subpoena e. Trial briefs	The basic purpose of this section is to give students a fundamental understanding of how a legal or equitable remedy is obtained. Of primary importance is the realization that the courts provide a peaceful environment in which to settle disputes between parties.
3. Pretrial Hearing	Be sure that students understand that many suits are settled out of court at the pretrial hearing. Explain the meaning of plea bargaining as related to criminal actions.
4. The Trial a. Impaneling the jury b. Subpoena of witnesses and record c. Opening to the jury d. Examination and cross-examination of witnesses e. Closing to the jury f. Charge by the court g. Verdict h. Judgement i. Enforcing the judgement • Writ of execution • Specific performance • Injunction • Writ of garnishment j. Supplementary proceedings k. Notice of appeal	This topic should be presented on an acquaintanceship level, not as a thorough study of the intricate functions of our court system and the complications of jurisprudence. Visits to the courts by the business law class should be followed by a discussion and evaluation of the trip. Many judges will speak to groups and help to provide a better understanding of what actually occurred during the trial.
5. Legal Services for the Indigent a. Legal Aid Society b. The Public Defender	Emphasize the role of the Small Claims Court as a relatively inexpensive means of obtaining justice in minor civil cases. Students are likely to be impressed with the informality of the trial procedure in this court and with the fact that litigants may act as their own attorneys. If possible, students should be given an opportunity to read some of the common legal forms (pleadings) employed in lawsuits, such as: summons, complaint, answer, bill of particulars, affidavit, and subpoena.

Content	Teaching Suggestions
	Emphasize the purpose of money damages. They cannot amount to a penalty, but are intended to restore the injured party to the status quo ante. If the award puts the injured party in a profitable position, there has been a miscarriage of justice and the purpose of damages is defeated.
	This unit involves extensive new vocabulary. Students should acquire an understanding of the commonly used words and terms.
K. Statute of Limitations (As related to a lawsuit)	Students should be made aware that contract, criminal, and tort actions are governed by separate and distinct statutes of limitation. For example, in New York State there is a one-year limitation on actions in tort for libel and slander, while in certain criminal actions there is no limitation whatever.
	Chart #3 will help the teacher to highlight the similarities and differences between civil and criminal actions in one presentation. Not only can the material be initially presented in a relatively short time, but confusion can be eliminated by using the transparencies later for review purposes.

Illustrative Case Problems

Torts and Crimes

1. Kemper's large picture window was broken when Dale threw a rock through it. The police were called and Dale was charged with a crime. Since Dale was charged with a crime, is Kemper prevented from bringing civil action against Kemper for damages?

   No. A wrongful act may be both a tort and a crime.

   Comment: Dale can be charged with the crime of disorderly conduct and still be liable to Kemper for the cost of repairs as a result of a civil suit for damages.

2. While driving through town, Anderson threw an empty soda can out of her car window. The can hit DeSales, a pedestrian, injuring her. Is Anderson liable to DeSales for damages?

   Yes. A person is responsible for the tort of negligence.

   Comment: When a person acts in such an irresponsible way that he or she may cause injury to another, the person may be held responsible for the act.

3. Kent, a 16-year old boy, was arrested in Washington, D.C. on serious felony charges. He had previous arrests; and upon being questioned, Kent admitted other crimes. The judge of the juvenile court, giving no reasons, waived Kents' case and directed that it be tried in a regular Federal criminal court, where he was tried and found guilty. At this point, Kent obtained an attorney, who appealed his case to the Supreme Court. The Supreme Court agreed to review Kent's case and decided in his favor, holding that two of his constitutional rights had been violated in the lower courts. Were two constitutional rights violated? What were they?

   Yes. The defendant in a criminal case is entitled to the services of an attorney immediately upon arrest. If he cannot afford one, the court will appoint one. (The Merinda Decision.) Also, the juvenile court cannot waive the right of a defendant to a speedy trial without giving sufficient reason.

   Comment: Kent is entitled to a new hearing to determine if he should be tried in a juvenile or criminal court; and he must be represented by an attorney of his choice.

4. Dougherty, who lives in a densely populated area, plays her stereo every night until 2 or 3 o'clock in the morning. The owner of an adjacent nursing home complains to the local authorities, claiming that the noise from the stereo disturbs several of the elderly patients and keeps them from getting their proper sleep. Would the local authorities be able to stop Dougherty from playing the stereo in this fashion?

   Yes. If a person uses his or her property in a manner that interferes with the rights of another, the crime of nuisance has been committed, and may be stopped.

   Comment: This is a matter of municipal law. In New York State the time restrictions for such actions varies widely from community to community. In most areas, however, loud noises created either inside or outside a dwelling at 3:00 a.m. would constitute a nuisance.

5. Upon learning the news that Allen Green, a civil rights leader, was shot, Warren West took an American flag that he owned and burned it on a street corner near his home. He was arrested and charged with committing a Federal offense which states it is a crime to publicly mutilate the flag either by word or acts. West contended that under the first amendment of the Constitution, he had the right to express his opinion in this manner. Do you agree?

No. Protest does not exonerate lawlessness. The prohibition against flag burning on a public thoroughfare being valid, the misdemeanor would not be excused because it is an act of protest.

Comment: The First Amendment to the U.S. Constitution guarantees freedom of speech, religion, press, assembly and the right to petition the government to correct injustices. The Amendment, however, does not exonerate lawlessness.

6. Johnathan, aged 16 1/2, rented a horse at a summer resort with the express provision that he was not to use that horse for jumping. However, Johnathan decided to try the horse on a jump; and the horse was killed. May Johnathan be held liable for the value of the horse? Why or why not?

Yes. A minor is liable for his torts or acts of negligence consisting of failure to use the degree of care and skill required as the custodian of another person's property.

Comment: Johnathan may be held liable to the extent of damages awarded by the court for his tort.

7. Bonelli and a group of his young neighborhood friends frequently gather together evenings on the street and, as they put it, "just have a good time." One night the group was making a lot of noise and the police officer on the block ordered them to move on. Bonelli became abusive to the officer and refused to move. Has Bonelli committed a crime?

Yes. It is a misdemeanor not to obey the order of a police officer.

Comment: Bonelli's refusal to move constitutes the misdemeanor; and Bonnelli could be charged with this crime.

8. Romanda had an opportunity to purchase a television set for $30 from Thompson, a neighborhood friend. Romanda knew the television set had been stolen from a local store but decided to buy it anyway. Has Romanda committed a crime?

Yes. Receiving or buying goods which are known to have been stolen is a crime.

Comment: Anyone who knowingly buys or receives stolen goods has committed a crime and may be charged with a felony or misdemeanor depending upon the value of the goods.

9. Jackson, 17 years of age, appeared at an election booth during a Presidential election and demanded that he be allowed to vote. He contended that, inasmuch as he was a veteran of the U.S. Army with one year of military service, he should be allowed to vote. Is Jackson correct in this belief?

No. Except as required by the U.S. Constitution, no citizen of the U.S. who is otherwise qualified to vote in any State or political subdivision in a primary or in an election shall be denied the right to vote in a national election if such citizen is 18 years of age or older.

Comment: Jackson was not yet 18 years old. Military service, in and of itself, does not guarantee the right to vote. Besides, Jackson had not registered to vote.

10. Sayles was extremely disturbed by the participation of the United States in foreign affairs. In protest, he and several of his friends publicly burned their draft cards in the village square. Sayles was arrested for violation of the Selective Service laws. Sayles pleaded the First Amendment to the Constitution. Is Sayles correct?

No. Public burning of a draft card as a protest to war constitutes a violation of Selective Service laws.

Comment: The first amendment to the U.S. Constitution guarantees the right of protest and to petition the government to correct injustices. It does not exonerate an individual from willful destruction of a Selective Service draft card.

Steps in Litigation

11. Medina received a notice, by mail, that directed him to appear in court on a certain date and time to answer charges brought against him. Does he have to abide by the orders?

No. A summons must be served by an officer of the court on the person that is charged with the document.

Comment: Medina does not have to obey a summons that is delivered by mail.

12. Cronin, a witness to a car accident, receives a notice to appear in court during the trial. Since he is attending college in a distant state, will he be compelled to appear?

No. A witness can legally be excused from appearing in court when so ordered, and may send evidence to be presented during the trial.

Comment: Cronin has a valid reason for not appearing as a witness; and a written, notarized statement can be used as evidence instead.

13. Merrick ignored a subpoena that directed him to appear in court to give testimony as a witness. Can he be legally punished?

Yes. If a witness ignores the subpoena, he is subject to penalties for contempt of court.

Comment: Merrick can be held liable for contempt of court which is punishable by a fine, imprisonment, or both.

14. A judgment of $50,000 was obtained against Webster. He was able to pay only $30,000. Will he be excused from paying the balance?

No. The Statute of Limitations is 20 years for the recovery of a judgment.

Comment: An execution can be obtained against Webster which allows the creditor 20 years to collect the balance according to the Statute of Limitations.

MODULE 2. THE LEGAL COVENANT
(Cover in approximately 25 classroom hours)

Legal recognition of simple promises by the early English courts was largely responsible for the development of our modern law of contracts. But as our economic system grew more complex, people became more dependent on others for the necessities of life. In order to obtain these necessities, each individual had to make his own arrangements through an exchange of promises or contracts. Thus, contracts for the purchase of food, clothing, shelter, and other essentials of life gradually attained legal status equal to that of formal contracts, as in sales of realty.

This unit dealing with the legal covenant is perhaps the most important in the entire study of business law. The general principles of contracts apply with equal validity to the study of most of the subsequent topics covered in the course.

The cyclical approach to the study of contracts begins in this module. A simplification of the subject matter at this point - defining the legal agreement, learning the basic elements of a contract, understanding the operation of contracts, recognizing the various ways in which a contract may be terminated, and determining the most appropriate remedy for breach, - will provide a basic foundation for the entire course of study.

Students will subsequently have the opportunity to apply the principles learned here and to enrich their understandings of contracts as they study personal property, employer and employee relations, principal and agent agreements, transportation and travel, insurance, and real property.

The inviolability of contracts as a major force in our economic system, where individuals have become so dependent upon others for the necessities of life, should be the dominant message of the course. In this module an appreciation of this concept is initiated.

Upon completion of this module, the student should be able to:

- Identify the 5 essentials of an enforceable contract.
- Distinguish between 5 classifications of contracts.
- Identify 3 kinds of defective agreements.
- Explain how the assignor and the assignee each have a right and an obligation in each delegated contract.
- Describe 5 ways in which a contract may be discharged.
- State a major purpose and effect of The Statute of Frauds.
- State a major purpose and effect of The Statute of Limitations.
- State a primary purpose and effect of declaring bankruptcy.
- Solve case problems relating to the content of this module.

Content	Teaching Suggestions
A. Definition	After developing the definition of a contract, stress that for every legal right there is a corresponding obligation.
1. Business vs. Social Agreements	
2. Rights and Obligations	
B. Classification	Students should understand that the status of a contract is dependent upon a combination of elements; i.e., a contract may be simple in form, arrived at by implied actions, and executory as to completion.
1. Express vs. Implied	
2. Simple vs. Formal	
3. Executed vs. Executory	Emphasize that oral contracts are in most instances as binding as written contracts but they may be more difficult to prove.
4. Valid vs. Void	
5. Binding vs. Voidable	
6. Enforceable vs. Unenforceable	Be certain that students have a clear understanding of each of these basic terms. Use concrete examples when distinguishing between terms.
	An effective presentation can be made by preparing three transparencies of chart #5 as follows: the section showing how contracts are created should be the base transparency; the first overlay transparency is either the formal or simple classification; the bottom of the transparency dealing with executed vs. executory contracts, then becomes the second overlay.
C. Essentials of a Contract	Mutual assent implies a "meeting of the minds." Contrast this with an advertisement or written invitation to trade.
1. Mutual Assent a. Offer • Parties • Requirements of a valid offer • Termination of offer	Distinguish between an offer and an invitation to make an offer. Discuss the effect of an option; the effect of a firm offer; the effect of an unreasonable lapse of time. The terms revocation and rejection often confuse students. Particular attention should be given to a clarification of these terms.

Content	Teaching Suggestions
b. Acceptance • Requirements of a valid acceptance • Silence as acceptance	Teachers are advised not to use cases involving merchants when teaching offer and acceptance. The Uniform Commercial Code as it applies to sales contracts should be deferred until the study of personal property. Only the rule applying to revocation of written offers by nonmerchants should be covered at this point (General Obligations Law of the State of New York, Section 5-1109). "A written offer made and signed by a nonmerchant is irrevocable during a stated period of time, or if no time is stated, during reasonable time."
2. Competent Parties a. Competence vs. incompetence b. Minors • Disaffirmance vs. ratification • Exceptions to disaffirmance — necessities — business contracts	Emphasize the intent of the law that the status of being a minor is a "shield not a sword." A discussion of the philosophy of this statement should help students to understand that the laws pertaining to minors are designed to protect them in their dealings with an adult.
c. Other incompetents	Discuss age of majority now recognized in New York State by statutes. See Appendix C for additional exceptions and information on these statutes. Discuss rules which prevent a minor from taking advantage of an adult, i.e., return of consideration, untrue statements, disaffirmance of only part of a contract. Students should be able to differentiate between purchases classified as luxuries and those deemed to be necessities for a minor. Discuss effect of declaration by a court that a party is mentally insane and a guardian has been appointed.

Content	Teaching Suggestions
3. Consideration a. Nature of consideration • Promise • Act • Forbearance	Discuss nominal consideration. Discuss effect of an executed contract later found lacking in consideration.
b. Adequacy vs. inadequacy • Mutual promises • Past consideration • Gifts • Charitable subscriptions • Promise to perform existing obligations • Part payment of debts • Extending time payment of debts • Paying additional compensation	Distinguish between an executed gift and a promise to make a gift. Also discuss revokability of a promise of a charitable contribution.
4. Legal Subject Matter a. Effects of illegality b. Illegal agreements • Violation of statute law • Against public policy	Cite illustrations of agreements in violation of statute law. Cite agreements that are contrary to public policy.
5. Required Form a. Statute of Frauds • Purpose • Agreements governed by the Statute of Frauds – Sale of real property – Sales of goods and merchandise – To answer for the debts of another – In consideration of marriage – Which cannot be performed within one year from date made – Leases for over one year – Lifetime contracts – Executor or administrator agree to pay from own funds the debts of an estate	Attention should be given to two trouble spots when treating the Statute of Frauds: (a) that the Statute applies only to executory contracts, and (b) the distinction between the requirements of the Statute as related to the sale of goods and merchandise, as opposed to the requirements as related to the sale of realty. Stress: Unless otherwise provided by statute, agreements governed by the Statute of Frauds must be (a) in writing or evidenced by a memorandum, and (b) signed by the party to be charged. Discuss also, essentials of a memorandum.
b. Parol-evidence rule	

Content	Teaching Suggestions
D. Operation of Contracts	
1. Assignment a. Assignable vs. non-assignable rights b. Delegated duties c. Obligation of assignor d. Necessity for notice	Assignment of rights and delegation of duties under a contract has always been a difficult concept for students to grasp. The use of visuals and diagrams, "putting" students into the contracts (role playing), are time-proven techniques for clarifying the operation of a contract. Chart #6 may be used as a transparency in the following way: Cover the lower half of the transparency. Have students explain the contract pictured at the top - the parties, the consideration, the rights and obligations of each party. Then, one at a time, uncover the assignments at the bottom of the transparency. Discuss the effect of each assignment.
2. Defective Agreements a. Fraud and misrepresentation b. Mistakes c. Duress d. Undue influence	Identify the elements essential to fraud. Distinguish between unilateral and mutual mistake. Distinguish between void and voidable agreements.
3. Discharge of Contracts a. Performance b. Subsequent impossibility to perform • Destruction of essential subject matter • Death or disability in personal service contracts • Act of the other party c. Mutual agreement • Substitution • Accord and satisfaction • Mutual release • Arbitration d. Operation of law • Significant alteration • Performance becomes illegal	Explain the meaning of <u>substantial performance</u>. Discuss effect of tender of performance on a contract.

Content	Teaching Suggestions
e. Breach • Induced breach • Anticipatory breach • Recovery for damages	
E. Bankruptcy	Discuss revival of a debt discharged in bankruptcy.
1. Purpose	
2. Voluntary vs Involuntary	
3. Proceedings	
4. Composition of Creditors	
5. Effect	
F. Limitation of Time Statutes	Study the effects of the Limitation of Time Statutes under Article 2 of the Civil Practices Law.
1. Purpose and Effect	
2. Time Limits	Differentiate between contracts which terminate within 6 years, 3 years, and 1 year.
3. Revival of Right of Legal Action	Stress that the Statute of Limitations does not cancel a debt; and show how a debt may be revived.
4. The "Tolling" of the State of Limitations for minors	Note that the Statute of Limitations in a contract made with an infant will cease "tolling" at age 18 in N.Y. State.

Illustrative Case Problems

Mutual Assent

1. Henry's wife was in a burning building. Henry offered $1,000 to anyone who would bring out his wife's body. Whitney, a bystander at the risk of his own life, brought out the body. Is Henry obligated to pay the $1,000 to Whitney?

   Yes. An offer made in apparent seriousness is binding.

   Comment: A contract was created when Whitney complied with the terms of the offer.

Competent Parties

2. On his 17th birthday, Wally was promised $100 by his father when he reached 18, so Wally could buy his friend's car. Wally immediately offered his friend George, $200 for his car, pending the $100 gift from his father. One year later Wally's friend brought the car over; but Wally refused, saying he had changed his mind. Can Wally do this legally? Explain.

   Yes. Executory contracts made by minors are void unless ratified within a reasonable time after reaching the age of majority.

   Comment: Wally was legally correct in changing his mind. He, upon reaching his majority, could refuse to ratify the executory contract made the year before when he was a minor.

3. Alice, age 16, desires to purchase an expensive watch on credit and the merchant asks that Alice obtain the signature of her father as cosigner to the contract. Alice fails to meet the payments as agreed and her father pleads lack of responsibility since the watch was sold to a minor. Is the father correct?

   No. A parent may be held as a cosigner to a contract made by a minor.

   Comment: When the father cosigned the contract, he agreed to become liable for payments in the event that Alice failed to meet the terms of the contract.

4. Todd arrived in Ithaca as a college freshman on his 17th birthday. He rented an apartment for ten months at $125 per month. At the end of the ten months, Todd moved out without paying the last two month's rent, claiming that, as he was still a minor, he was not liable for the $250. Was he correct? Explain your decision.

   No. A minor is liable for the fair and reasonable value of necessities furnished to him.

   Comment: As shelter is a necessity, Todd owes the landlord $250.

5. Three weeks before her 18th birthday, Rhoda bought a 10-speed bicycle from White Bikes, Inc. for $189. The day after she became 18, Rhoda sold the bicycle to her friend Sue. Two days later, Rhoda appeared at White Bikes seeking to void or disaffirm the original contract on the grounds that she was a minor at the time of purchase. May she do so? Why or why not?

   No. Rhoda may not disaffirm this contract. After reaching his/her majority a person may affirm or ratify a contract that he/she has made while a minor.

   Comment: In selling the bicycle to her friend Sue, Rhoda made an act of ratification of the original contract.

Statute of Frauds

6. Sperry made an oral statement to Dr. Jones, a dentist, to the effect that he would pay the doctor for any dental work being done on his brother should the brother be unable to pay. After the work was completed, Sperry's brother said that he could not pay the bill. Then, Sperry claimed he could not be held liable for payment of the bill. Is Sperry correct?

   Yes. Promises to answer the debts of others must be in writing to be enforceable.

   Comment: Although he would have a moral obligation to pay the bill, Sperry's promise falls within the Statute of Frauds and would have to be in writing in order to be enforceable.

Consideration

7. Meehan owed a bank a large amount of money. The bank promised his wife that it would not sue if she would pay the debt out of her own money. She agreed. Is the bank bound by the agreement.

   Yes. Consideration may consist of a promise to perform.

   Comment: Mrs. Meehan's promise to do something that she would not otherwise have been obliged to do is valid consideration to bind the bank to observe the terms of its promise.

8. Riley, a sales manager, telephoned a motel to make arrangements for lodging for his salesmen, promising that he would pay all bills if the men did not pay themselves. The motel sued Riley to collect for unpaid bills. Will they succeed?

   No. Promises to pay the obligation of others must be in writing to be enforceable.

   Comment: In order to hold Riley liable, the motel should have demanded a written memorandum from Riley.

9. A physician sent a bill for $500 to a patient as a reasonable value for services rendered, no amount having been agreed upon. The patient sent $350 with a note saying that the charge was excessive and requested the physician to return the check if it was not satisfactory. The doctor failed to do so and later sued the patient for the balance of $150. Can he recover?

   No. The acceptance of a smaller amount, for a larger one claimed, in a dispute over an unfixed amount will constitute an accord and satisfaction.

   Comment: The amount of the debt in this case was not agreed upon. The physician cancelled the debt when he accepted the check for $350.

Statute of Limitations

10. Lewis owed the Cut-Rite Market for goods purchased in 1969, 1970, and 1973. In 1976, the market sued Lewis for the entire amount due on the account, Lewis claims that part of the balance of the amount is outlawed. Is he correct?

    No. The Statute of Limitations on open accounts runs from the date of the last purchase.

    Comment: The Market instituted suit within the four-year limitation period.

11. A woman 18 years of age, is instituting suit to recover losses incurred when she was a 7 year-old girl. The defendant is saying that the claim is outlawed by the Statute of Limitations. Is the defendant correct?

    No. The law will excuse the failure of a minor to begin the right of legal action during infancy.

    Comment: A person has a reasonable time after reaching the age of majority in which to start a legal action to recover losses suffered while a minor.

Assignment

12. Bernie bought a second-hand car with one year of free service from the Honest Car Lot. The Honest Car Lot then sold the business to Marvin Smith and notified Bernie that Smith would take care of the service for the rest of the year. Smith refused to service the car. May Bernie hold the Honest Car Lot to the original contract?

    Yes. Obligations under a contract may not be assigned without the consent of the other party.

    Comment: Servicing of the car was an obligation of the Honest Car Lot. Bernie may sue for breach of contract.

Discharge of Contracts

13. Kim owes Brian $25 which is due on October 15. On the due date, Kim offers $15 and a camera in full payment. Brian accepts. Can Brian later collect the balance?

    No. Acceptance of a smaller amount than due, plus extra consideration, cancels the entire debt.

    Comment: When Brian accepted the camera in lieu, of $10, along with the $15 in money, the debt was canceled.

MODULE 3. PERSONAL PROPERTY
(Cover in approximately 15 classroom hours)

Experienced business law teachers will immediately notice a departure from previous business law syllabuses in the treatment of personal property. The committee preparing the outline for this publication felt that it would be more advantageous to approach personal property from the point of view of possession, causing an integration of the law of sales and the bailment relationship.

This section provides the first opportunity for students to review the basic elements of contracts and to apply the principles learned earlier to a specific situation, the purchase contract. A second, smaller cycle, begins here with the introduction of the bailment relationship. Fundamentals learned at this point provide the basis for the discussion of exceptional bailments in the section devoted to transportation and travel.

Teachers of business law would be well advised to follow the suggested outline in teaching the law as it applies to the buying and selling of goods. Not all provisions of the Uniform Commercial Code have been included in the outline. In order to present material that the high school student can absorb, the more technical aspects of the code have been intentionally avoided.

At the end of this section, the student will be able to:

- Distinguish between personal and real property.
- List 4 ways in which title to personal property can be obtained.
- Define a purchase contract.
- Apply the provisions of the Uniform Commercial Code to situations involving merchants and also to agreements with nonmerchants.
- Explain how the Statute of Frauds applies to purchase contracts.
- Determine when risk of loss and title pass in a variety of purchase situations.
- State the primary purpose of a security agreement.
- Define an express warranty.
- Name 3 implied warranties made by the seller.
- Explain the functions of 2 public and private agencies which exist for the protection of consumer buyers.
- Choose the appropriate remedy for a given breach of a purchase contract.
- Apply the Statute of Limitations to purchase contracts.
- Discriminate between a bailment and sales relationship.
- State the degree of care required in a given bailment situation.
- Solve case problems relating to this module.

Content	Teaching Suggestions
A. Personal Property (defined) "Movable property including such items as books, furniture, livestock, bonds, stock, cultivated crops, and other personal effects."	Every person has personal property of some sort. Develop this statement by having students name different types of personal property they own. Introduce several of the adjectives descriptive of personal property such as movable, tangible goods, etc.
B. Property Rights	Expand on the definition of personal property to include intangible ownership. Discuss the right of guilt possession and ownership and the right to dispose of property.
1. Common Law Rights	
2. Government Grants a. Copyrights b. Patents c. Trademarks	Students should be able to distinguish between a copyright and a patent and the type of property with which each right is concerned.
C. Obtaining Ownership (Title)	
1. Methods of Obtaining Title a. Finding b. Gift c. Inheritance d. Accession e. Purchase contract	Distinguish between <u>title</u> and <u>possession</u>. Cite the statute procedure in reporting the finding of "lost" property. Deal very briefly with inheritance as one means of obtaining title to property. An in-depth study of wills and intestacy will be included in a subsequent module. Use actual sales documents to enrich case problems and when discussing the elements of a sales contract.
2. Formation of the contract a. Merchant and nonmerchant b. Firm offers c. Statute of Frauds d. Competent parties - age of majority - 18 years	Emphasize the fact that under the Uniform Commercial Code, an offer by a <u>merchant</u> cannot be revoked, even though there is no consideration if: (1) the offer is made in writing (2) the merchant-offeror expresses an intention to keep it open (3) signed by the merchant-offeror The expressed period of irrevocability cannot exceed three months. However, if no period of time is expressed as to the duration of the offer, the offer is open only for a reasonable time. (Sec. 2-205)

Content	Teaching Suggestions
	Under the Statute of Frauds, an oral contract for the sale of goods priced at $500 and over is enforceable only for the quantity actually received and accepted by the buyer. Where the buyer has made a part payment, the oral contract is enforceable only to the extent of the part payment. If apportionment cannot be made, the entire contract is unenforceable. (Sec. 2-201)
	Stress the fact that the memorandum requirements necessary to satisfy the Statute of Frauds governing the sale of goods are quite different from those relating to other contracts. The Code requires that the written memorandum must contain: (1) evidence of a contract for the sale of goods, (2) signature of the party to be held liable on the contract, and (3) a statement of the quantity of the goods involved.
	See Appendix for a summary of recent N.Y. State legislation pertaining to the 18-year-old age of maturity.
3. Transfer of Title a. Documents indicating title b. Passing title and risk of loss • General rule • Special rules - cash sales - credit sales - unordered goods - "on trial" or "on approval" - with privilege to return - C.O.D. - auction - stolen goods - lost goods - F.O.B. sales - "as is" sales - bulk sales	Discuss elements of a bill of sale, order bill of lading, and a warehouse receipt. Establish the "exact moment" when title is passed to a buyer under the special rules or circumstances. Discuss the provisions of the Postal Reorganization Act of 1970 which provides that the person who receives unordered merchandise has the right to retain, use, discard, or dispose of it in any manner he sees fit without any obligation whatsoever to the sender. This act applies only to goods sent by mail and expressly exempts merchandise mailed by a charitable organization that is soliciting contributions. Distinguish between passing of title when goods are sold "f.o.b. shipping point" and "f.o.b. destination."

Content	Teaching Suggestions
	Explain the significance of "tender of delivery." Point out that in a sale of existing and identified goods, title passes to the buyer at the time the contract is made but the risk of loss is on the merchant-seller until the goods are delivered to the buyer. In the case of a nonmerchant seller, risk of loss passes to the buyer when the seller tenders or makes the goods available to the buyer. Sec. 2-401 (3) (b) Sec. 2-509 (3)
4. Security Agreements a. Purpose b. Characteristics c. Risk of loss d. Filing e. Default	The rules for security agreements represent an important exception to an ordinary purchase contract. The rules now apply to such commonly used agreements as installment contracts and chattel mortgages. Emphasize the need to file a security agreement and how an innocent purchaser can guard against the possibility of purchasing an item on which there is an "existing obligation." What are some of the rights of a seller or a buyer in case of default?
D. Protection for Purchasers 1. Warranties (defined) 2. Types a. Express b. Implied • Title • Merchantibility • Fitness for particular purpose 3. Special Considerations a. Warranty after purchase b. Puff c. Caveat Emptor d. Breach of warranty e. Third-party beneficiaries	Treat warranties not only as a form of guarantee for the buyer, but also as establishing limits of liability for the protection of the seller. Under the Code, warranties by description and warranties by sample are express warranties if they are made the basis of the bargain between seller and buyer. Treat the implied warranty for human, consumption as part of the discussion of implied warranty of merchantibility. Stress the rule that an oral warranty given after a purchase has been made is binding under the Code even without consideration. (Sec. 2-209)

Content	Teaching Suggestions
	Students are usually highly motivated by the discussion of warranties. Capitalize on personal experiences of the students and their families in enforcing warranties.
	The Code permits a suit for breach of warranty to be brought against the seller by members of the buyer's family, his household, and his guests, for personal injury sustained by them. Sec. 2-318.
4. Public and Private Consumer Protection Agencies	Discuss the efforts of both public and private agencies to protect the consumer from unscrupulous sellers.
5. Recent Legislation	Include the Bureau of Consumer Frauds, New York State Attorney General's Office, Better Business Bureau, Local Chamber of Commerce, Federal Trade Commission, and the Food and Drug Administration among the agencies to be discussed.
E. Remedies for Breach of Purchase Contract	
1. Remedies of the Buyer a. For breach of warranty	Discuss replevin.
b. For nondelivery	Distinguish between actual damage and incidental damage.
2. Remedies of the Seller a. For nonacceptance	Discuss liquidated damages and nominal damages.
b. For the purchase price	Point out instances when a specific performance might become a remedy.
3. Statute of Limitations - 4 years	Discuss an unpaid seller's lien and the right of stoppage in transit.
F. Obtaining Possession But Not Ownership (Bailments)	Distinguish between a bailment and a sale.
1. Mutual Benefit Bailments a. Definition b. Degree of care c. Rights and duties of bailor d. Rights and duties of bailee e. Classifications • Renting • Servicing • Pledging • Consigning • Storing	Once students realize that they are parties to many bailments in their everyday experiences, their enthusiasm will abound. The resourceful teacher will have students cite instances where they have been bailees or bailors in both mutual benefit and gratuitous bailments.

Content	Teaching Suggestions
2. Gratuitous Bailments a. Definition b. Degree of care c. Rights and duties of the bailor d. Rights and duties of the bailee e. Classifications • For the benefit of the bailor • For the benefit of the bailee • Constructive – finding – ratification	It is important to emphasize that the facts and circumstances surrounding each bailment relationship determine the type of care required of the bailee. If the bailee fails to exercise the required care, he is regarded as negligent and liable for any loss or damage to the goods. The care required of the bailee is defined as reasonable care under the circumstances; that is, the degree of care which a "reasonable man would exercise in the situation in order to prevent the happening of foreseeable harm to the goods." Note: Common carriers and innkeepers will be treated as part of the topic of Transportation and Travel.

Illustrative Case Problems

Firm Offers

1. Watkins, a wholesaler, mailed an offer to sell a quantity of goods to Massey, a retail merchant. The offer contained the following statement, "You may have ten days from the date of receipt of this letter to reach a decision. The offer will not be withdrawn during this period." Three days after the receipt of the offer, Massey received a telegram withdrawing the offer. May Watkins withdraw the offer?

   No. A firm offer made in writing and signed by the merchant-offeror is irrevocable during the time stated.

   Comment: The General Obligations Law of the State of New York provides that offers made by nonmerchants are valid for a reasonable time. No consideration is needed to hold these offers open. In the case involving merchants, the offer must be kept open for the stated period. As a rule, the time period should not exceed 3 months.

Statute of Frauds

2. Under an oral contract, Nelson purchased 200 bags of Double X fertilizer from Avon Nurseries at $15 per bag. Nelson made a part payment of $750 and agreed to pay the balance upon delivery of the fertilizer. Shortly before the delivery date, Nelson notified Avon Nurseries that he would not accept the shipment because he was not bound by the oral contract. Is Nelson's claim legally correct?

No. In an oral contract for the sale of goods of $500 or more, the contract is enforceable only to the extent of the part payment made by the buyer.

Comment: In this case Nelson would be held responsible and would have to accept 50 bags.

3. Wilson, a wholesaler, telephoned Jones, a manufacturer of men's hosiery, "If you can ship 75 gross of men's hosiery, assorted sizes and colors, you may do so immediately." Jones selected the proper quantity and the merchandise was packed in cartons. Before delivery to a carrier, Jones received notice of withdrawal from Wilson. Is there a contract between Jones and Wilson?

No. The beginning of performance by the offeree can be effective as an acceptance only if followed within a reasonable time by notice to the offeror.

Comment: Since the beginning of performance in the sale of goods is not considered acceptance in and of itself, it would follow that the offer could be withdrawn before acceptance unless the seller has notified the buyer that he has made a substantial beginning of performance.

Unordered Goods

4. Wilks receives a magazine from the XYZ Publishing Company which he had not previously ordered. After reading it, Wilks gave it to his neighbor. Is Wilks obligated to pay for it?

No. Under Section 5-332 of The General Obligations Law, a person who receives unordered books, magazines, merchandise, etc. has the right to retain, use, discard, or dispose of them in any manner he sees fit without any obligation whatsoever to the sender.

Comment: This applies to commercial goods received through the mails.

Sales "as is"

5. Holden purchases for cash, a camera from Hinds, a retail dealer. The sales tag attached to the camera read as follows: "Reduced from $89.95, sale 'as is.'" Later when Holden attempted to use the camera he found it was defective and unusable. May Holden sue Hinds for breach of implied warranty of merchantability?

No. In a sale "as is" or "with all faults," there are no implied warranties that a buyer may rely on, except the warranty of title.

Comment: The sales tag clearly identified the camera as an "as is" sale item, thus relieving the seller of liability for warranty of merchantability.

6. Harley, a lawyer, upon moving to a different city, contracts to sell his household furniture to Yale for $1,000, by written agreement signed by Yale. Thereafter, Harley loads the furniture on a truck, which is driven to Yale's residence. Yale refuses to accept or pay for the furniture when it is tendered to him. On the return trip the truck is in an accident and the furniture damaged. May Harley recover the $1,000 purchase price from Yale?

   Yes. In a sale of existing and identified goods by a nonmerchant-seller, title passes at place of contracting; and risk of loss passes upon tender of the goods to the buyer.

   Comment: Since the nonmerchant seller, Harley, has made a proper tender of delivery which Yale refused, risk of loss passes to Yale; and he must stand the loss for the damaged furniture.

Oral Warranty Given After Sale is Made

7. Jones paid $125 for a suit of clothes. Two days later, when Jones expressed some doubt about the material of the suit, the storekeeper said, "I warrant that the suit contains at least 70% polyester fiber." Can Jones hold the storekeeper liable for breach of warranty if he discovers that the statement is false?

   Yes. An oral warranty made after the time of sale is binding and no consideration is necessary to make it enforceable.

   Comment: The sale was completed when the purchase price was paid. The statement by the storekeeper is binding, however, since it was made in connection with the sale of the suit of clothes.

Third-Party Beneficiaries of Warranties

8. Mrs. Fain purchased a can of tuna fish at a neighborhood grocery store. Her husband ate the tuna fish and suffered ptomaine poisoning because of the inferior quality of the tuna fish. Under the provisions of the Uniform Commercial Code, may her husband sue the owner of the grocery store for breach of warranty?

   Yes. Under the Code a seller's warranty extends not only to the buyer but to any members of his family, and to any guests in his household who may be injured by using the goods.

   Comment: Although the code will permit the husband to sue the grocer for implied warranty of merchantability, the Code does not permit suit against the firm that canned the tuna fish.

Statute of Limitations

9. As a result of a breach of contract for the nondelivery of certain goods, Minnick, the buyer, chooses to sue the seller for damages. May Minnick bring action against the seller if a period of five years has elapsed from time the breach occurred?

No. Under the Code, an action for breach of contract for the sale of goods must be brought within four years after the breach occurs.

Comment: Minnick had four years in which to institute suit to recover any losses. The Statute of Limitations now bars any further legal action on his part.

MODULE 4. REAL PROPERTY
(Cover in approximately 15 classroom hours)

Students will readily enter a stimulating discussion of real property once they realize that they are directly involved in this aspect of the law. Many of the terms will be familiar to the class: landlord, tenant, lease, zoning laws, and fire insurance. Some terms, such as mortgage, subletting, eviction, and condominiums, may be vaguely understood. While the subject of real estate is technical, the study of this section should be general in nature, but emphasize the rights and the obligations of the parties involved.

The law of real property is specific and the legal papers are technical, so the teacher of Business Law should emphasize the importance of obtaining an attorney before becoming a party to a contract for real estate.

Upon completion of this module, the student should be able to:

- Distinguish between real and personal property.
- Explain the difference between fixtures and trade fixtures.
- Identify 3 types of ownership of real property.
- List the 6 steps in the process of purchasing realty and explain the significance of each.
- Describe 2 kinds of deeds.
- Explain the lien theory of property mortgages.
- Explain 5 limitations on the ownership of real property.
- Identify the parties to a rental contract.
- Explain the difference between a lease for a definite time period and one for an indefinite term.
- Solve case problems regarding the rights and obligations of landlords and tenants.
- Determine who is responsible for claims by third parties injured on rental premises.
- Describe 4 ways a lease may be terminated.
- Define 5 risks covered by property and casualty insurance.
- Distinguish between a hostile and a friendly fire.
- Explain why proof of loss is necessary and describe how it is established.
- Give the purpose for the coinsurance clause.

Content	Suggested Activities
A. Nature of Real Property	
1. Land 2. Minerals and Vegetation 3. Buildings 4. Fixtures	Develop the definition of real property. Give examples of how real property may become personal property (trees being cut down; crops being harvested). Attention should be given to differentiating between fixtures and trade fixtures.
B. Types of Ownership	
1. Estate in Severalty 2. Joint Tenancy	Chart No. 7 outlines the major characteristics of the various tenancies in

Content	Suggested Activities
3. Tenancy in Common 4. Tenancy by the Entireties 5. Condominium	realty. The visual may be expanded one column at a time and then used for review purposes by covering the transparency and exposing one line at a time from top to bottom. Compare owning a house or an apartment.
C. Process of Purchasing Realty	
1. Making the Title Search a. County realty records b. Abstract of title c. Title insurance 2. Signing the Purchase Contract a. Role of realtor b. Survey c. Statute of Frauds d. Remedy for breach	The role of each of the interested parties (broker, attorney, bank officer) should be discussed as the sequence of steps involved in the purchase of real property is outlined. Obtain forms such as contracts of sale, mortgages, deeds, from banks, title companies, attornies, realty boards and printers.
3. Obtaining the Mortgage a. Definition and parties b. Sources • Banks • Savings and loan assoc. • Private lender c. Types available • FHA insured • VA guaranteed • Conventional	Outline with some detail the sequential steps from the signing of the contract of sale through the acquisition of title at the closing. Examine briefly the role that the Federal Housing Administration and the Veterans Administration play in connection with mortgage loans.
4. Attending the Closing a. Payment b. Delivery of deed • Significance • Kinds of deeds - warranty - quitclaim • Deed covenants	Point out that deeds made by minors, mental incompetents, and intoxicated persons may be voided by them. The students should know that a deed must be in writing and signed by the owner or his agent. The parties to a deed (grantor and grantee) must be identified. The deed must describe the real property conveyed. The deed must be delivered and accepted. A deed conveys only what the grantor had, unless covenants are included. If a deed is not recorded, it is void against a subsequent purchaser for value without notice, if the later purchaser records his deed first.
5. Placing the Deed in Escrow	
6. Recording The Deed	
D. Mortgage Foreclosure	
1. Deficiency Judgement 2. Satisfaction Piece 3. Right of Redemption	

Content	Suggested Activities
E. Methods of Acquiring Ownership of Realty 1. Purchase 2. Inheritance (Descent) 3. Adverse Possession 4. Gift 5. Emminent Domain 6. Prescription 7. Accretion	The students should understand that: • In descents, with no will, death transfers the interest in real property directly to the heirs. • Adverse possession involves continuous, actual, exclusive, and open occupation for 15 years, under a "claim of right" or hostile situation. • Compensation is usually fixed by the courts. • Prescription involves obtaining easement rights over 10 years under circumstances similar to obtaining title through adverse possession.
F. Limitations on Ownership 1. Adverse Possession 2. Easements 3. Licenses 4. Zoning Laws 5. Building Codes 6. Deed Covenants 7. Eminent Domain 8. Liens a. Mortgage b. Judgement c. Tax d. Mechanics	Explain the various limitations on the use of real property. Students should know which restrictions may be originated by the owner of the property and which may be enforced by local and/or state governments. Some restrictions may be temporary in nature (liens) while others may go with the "life of the property" (easements, deeds, and covenants.)
G. Renting Real Property 1. Parties to the Lease 2. The Lease a. Form b. Time periods • Definite term - (Tenancy for years) • Periodic Tenancy • Tenancy at will c. Security deposit 3. Duties of the Landlord a. Maintain habitability b. Decorate and repair • As stipulated in lease • As required by local statute	The topic of landlord and tenant relationships will usually arouse interest since many of the students are living with their families in rented premises. Students should be made aware that statutory law takes precedence over the provisions of a lease. Give examples to show how the rights and obligations of the parties involved may be greater than those stated in the written agreement. With the exception of examples involving trade fixtures, illustrative cases should be oriented to residential premises.

Content	Suggested Activities
• Those not in exclusive control of a tenant c. Taxes and assessments d. Effect of destruction of premises 4. Rights of Landlord a. Receive rent b. Entry to premises c. Repossession d. Fixtures e. Security deposit 5. Duties of Tenant a. Observe lease terms b. Make minor repairs 6. Rights of Tenant a. Quiet enjoyment b. Subletting and assignment c. Habitability 7. Obligations to Third Parties a. Invitees b. Trespassers 8. Termination of Landlord - Tenant Relationship a. End of lease - Effect of holdover by tenant b. Breach • By tenant • By landlord c. Mutual agreement d. Destruction of premises e. Illegality f. Eminent domain g. Eviction - actual or constructive	Examine year-to-year agreements and month-to-month agreements. Discuss the meaning of a tenancy at sufferance. Show that a landlord has no obligation to decorate or maintain premises unless provided in the lease, by statute, or by local ordinance. In a multiple-family dwelling such as an apartment house or office building, a landlord is responsible for upkeep of the exterior and public areas. Debate if a landlord may sue a tenant for rent due or maintain an action to evict the tenant. Determine the meaning of tenant waste. Contrast the implied warranty of habitability with duties of the tenant to maintain premises and make minor repairs. Discuss how a tenant may sublet if not prevented by covenant in the lease. Explore the effect of abandonment of leased property by a tenant. Also, in a periodic tenancy, the party seeking to terminate must give notice to the other party to the lease. Distinguish between effect of only a partial destruction and total destruction of rented premises.
H. Property and Casualty Insurance	
1. Types a. Fire b. Burglary c. Robbery d. Theft e. Public liability f. Automobile g. Marine 2. Kinds of Insurance Companies a. Stock b. Mutual c. Direct writer	Have the class develop definitions of the following insurance terms: • Property loss • Insurable risk • Coverage and protection • Negligence • Insured and insurer • Third party • Insurance agent • Casualty insurance

Content	Suggested Activities
3. The Insurance Contract a. The parties to the contract b. Insurable interest c. When contract takes effect	Local insurance companies or agents will supply sample policies for the different insurance coverage. Study how the binder affects property and casualty contracts.
4. New York State Standard Fire Insurance Policy a. Development and implementation • Role of N.Y. Fire Insurance Rating Organization • Standard 165 lines • N.Y. Fair Plan — for substandard risks b. Standard clauses • Concealment and fraud • 80% coinsurance clause • Vacancy and nonoccupancy • Removal • Assignment to new owner • Pro rata v. short rate cancellation	It would be interesting and informative for the class to obtain copies of I.S.O. Today from the Insurance Services Offices, 160 Water St., N.Y., N.Y. 10038. Ask for the pamphlet describing the functions of the N.Y. Property Insurance Underwriting Association, 110 William St., N.Y., N.Y. 10038. Invite a representative of the N.Y. Fire Insurance Rating Organization to tell the class how the N.Y.S. Standard Fire Insurance Contract was developed, why the same 165 lines are used as a jacket for all property damage policies in the State, and how the rest of the Nation has adopted the policy.
5. Extended Coverage a. Comprehensive b. Homeowners • Standard form • Broad form	Contrast friendly and hostile fires. Examine the risks covered by the extended coverage endorsement and by the homeowner's policy.
6. Submitting a claim a. Notice of loss b. Proof of loss c. Subrogation	Have students complete inventories of personal property in their homes for proof of loss. Include all available receipts, invoices, and appraisal certificates.
7. Termination of Policy a. Cancellation b. Expiration	Invite a local insurance agent to explain to the class the difference between pro rata and short rate cancellation of a policy.

Illustrative Case Problems

Renting Real Property

1. Mr. and Mrs. Walters leased an apartment from the Cannons for two years. During the summer, they occupied their lakeside cottage and rented the apartment to Madeline Dixon, with the consent of the landlord. When the Walters family returned, they discovered serious damage to the property. Can the landlord hold them liable for the necessary repairs?

   Yes. The original tenant continues to be liable to the landlord when a subleasing is approved.

   Comment: Even though Mr. and Mrs. Walters were not occupying the apartment, they are liable for the damages inflicted when Madeline Dixon was subletting the premises.

2. Francis Harkin, an employee of a dry cleaning firm, was delivering to Melanie Page, a tenant, in an apartment building. Harkin was injured on a defective step leading to Ms. Page's apartment. Is Ms. Page liable to Harkin?

   No. The Landlord is required to keep the public portions of a building in proper condition.

   Comment: Ms. Page does not have the responsibility for the upkeep of public entrances, elevators, in the apartment house.

Property Insurance

3. Collins loaned Frankel $50,000 without requiring any security. He then obtained a $50,000 fire insurance policy on a business building owned by Frankel. If the building is totally destroyed by fire, is Collins entitled to collect from the insurance company?

   No. Since this is an unsecured debt, the creditor does not have an insurable interest in the specific property of the debtor.

   Comment: In property insurance, an insurable interest must exist at the time of a loss. Since Collins would not suffer a financial loss if the property is destroyed, he would not be able to collect from the insurance company.

Limitations on Ownership

4. Two weeks after French bought a mobile home, the town in which French's lot was located passed a law banning mobile homes from being parked and used as permanent residences within town limits. Can towns do this?

   Yes. A town may pass zoning laws that prescribe the uses that may be made of property within that community.

   Comment: The zoned property excluded mobile homes. As a result, French would not be able to place his mobile home in the zoned area.

Property Insurance

5. A few months after Barton purchased a homeowner's policy on his home, he had several rooms painted. In order to avoid damage to his dining room furniture, he moved those pieces into the garage. The next night, for an unknown reason, there was a fire in Barton's garage which destroyed his dining room set. May Barton collect from the insurance company?

   Yes. In N.Y. State, under the homeowner's policy, the insured's personal property in a structure appurtenant to his house is covered in case of a fire.

   Comment: Barton may collect up to the limit of the percentage of coverage for such personal property, less the deductible, if any.

6. Agnes, a tenant, converted the living room of her house into a hair styling shop. The landlord ordered her to stop doing business, since she leased the premises for residential use. Will he succeed?

   Yes. A tenant may use the lease property only for the purpose stated in the lease.

   Comment: If Agnes refuses to discontinue business, she may be evicted by the landlord and sued for any damages caused by converting the living room.

Fixtures

7. Jones leased a factory from Smith. Jones took out a machine which was in the factory and stored it in the basement. He then installed a new machine and used it for his business. When the lease expired, the landlord refused to allow Jones to remove the new machine. Is he correct?

   No. Trade fixtures are property of the tenant and may be removed from the premises.

   Comment: Trade fixtures remain the property of the tenant unless the annexation is made under an express provision of the lease.

MODULE 5. TRANSPORTATION AND TRAVEL
(Cover in approximately 10 classroom hours)

The State Advisory Committee, which established the content topics and their order of presentation in the modules of this Syllabus, eliminated the previously separate treatment of insurance and bailments in favor of integrating them into the appropriate modules. Therefore, the laws of insurance and bailments which apply to the transportation of goods and persons and to the ancillary services are covered in this module.

The ownership and operation of an automobile or other motor vehicle are immediate goals to most teenagers; so motor vehicle insurance protection was included in this module. Other forms of insurance are covered in the appropriate modules.

Because of their relationship to travel and transportation, the exceptional bailment relationships involving common carriers and public accommodations will be treated as part of this body of content.

At the end of this section, the student will be able to:

- Name 3 legal documents involved in the purchase or transfer of ownership of a motor vehicle.
- Outline the procedure required in New York State to register and operate a motor vehicle.
- Explain the rationale behind the need for automobile insurance.
- Describe 5 common coverages in automobile insurance policies permitted to be sold in New York State.
- Identify which types of automobile insurance coverages are mandatory and which are optional.
- Outline the steps to be followed after an accident occurs.
- Define a common carrier and identify the rights and duties of a common carrier in handling goods for shipment.
- Specify the degree of care required by a public carrier for the safety of passengers and the protection of their baggage.
- Solve case problems involving the liability of a hotelkeeper or boarding house toward guests or boarders and their belongings.
- Give the 3 advantages of using credit cards and/or travelers checks when traveling rather than cash or personal checks.

Content	Teaching Suggestions
A. Ownership and Operation of a Motor Vehicle 1. Purchasing a Motor Vehicle a. Contract • Purchase offer • Acceptance b. Bill of sale c. Declaration of title d. Transfer of registration e. New York State Motor Vehicle Installment Sales Act	Have students describe problems encountered in purchasing vehicles. This will lead to the caveats and legal pitfalls which may be guarded against through the study of this module. Outline the procedures required in New York State to register and operate an automobile, motorcycle, snowmobile or other type of motor vehicle. See Appendix for important provisions of the New York State Motor Vehicle Installment Sales Act.

Content	Teaching Suggestions
	Look at the contract for an installment sale. The contract must meet the requirements of the Truth-in-Lending Laws.
2. Operation of Vehicle a. Registration b. Insurance coverage form c. Driver's license • Obtaining • Forfeiting	Have pupils determine age restriction for driving licenses in your county. Discuss the reasons for lowering the minimum age for persons who have completed driver education courses. Discuss the implications for purchase and operation of a motor vehicle by an 18-year-old in New York State.
3. New York State Motor Vehicle and Traffic Law a. Section 390 b. Section 1193A	Section 390 mandates that if a motor vehicle is stopped by a policeman for a routine check, the driver may be asked to produce any or all of the following: driver's license, vehicle registration, certificate of insurance. Discuss the consequences of not complying with this request. A police officer would be an excellent resource person to explain both the breathalizer and chemical tests mentioned in section 1193A.
4. Negligence a. Of owner b. Of driver c. Contributory negligence	Examine New York State auto inspection requirements. Obtain New York State Vehicle and Traffic Law for general reference. See also McKinney's Consolidated Laws of New York, Volume 62a, Vehicle and Traffic Law. Discuss the doctrines of contributory vs. comparative negligence in view of the fact that New York state has recently adopted the latter doctrine in awarding damages in negligence cases. Point out that contributory negligence is an archaic, unjust legal doctrine that is frequently ignored by juries in negligence suits. Instead juries tend to do "equity" by apportioning the damages on a comparative negligence basis; e.g., juries tend to consider what percent of the total negligence in a particular case is attributable to the defendant.

Content	Teaching Suggestions
5. Procedures in Case of Accident a. Aid injured persons b. Call for police or sheriff c. Obtain necessary information d. Legal caveats e. Report to your insurance company	a. Aid injured persons • Call for doctor or ambulance if needed • Do not move injured if it may cause more injury (liability) • Do not move vehicles until police arrive b. Call for the police or sheriff c. Obtain name, address, telephone of: • Other driver (if any) • Occupants of all cars • Injured persons • Witnesses d. Legal caveats • Only make statements to police • The law requires only that you give your name, address and license number • Admit no responsibility • Do not reveal the extent of your insurance coverage • Notify Dept. of Motor Venicles within 10 days in cases of personal injury or property damage of over $150 e. Report accident to your insurance company immediately • Telephone company or agent • Use company report form, otherwise - Give time and place of accident - Other driver's name, address, driver's permit number - Make and model of car and license number - Name of other insurance company and policy number - Damage to other car or property
B. Automobile Insurance 1. Need and Purpose 2. Types of Coverage a. Bodily injury (No-Fault) *N.Y.S. Comprehensive Auto Insurance Reparations Act* • Covers bodily injury, not property damage • Still can sue for a serious injury b. Medical payments for passengers in insured's car	The term insurer, insured, risk, binder, and insurable interest should be reviewed as part of the discussion of the need and purpose of automobile insurance. The coverage provided by the various forms of automobile insurance has always been difficult for students to grasp. Chart #8, Automobile Insurance, summarizes the coverage of each type of automobile insurance and where the coverage is applied. It is recommended that each student be given a copy of the chart, which is in Appendix D.

Content	Teaching Suggestions
c. Uninsured motorist d. Property damage liability e. Collision with or without deductibles f. Comprehensive physical damage for own vehicle, fire, theft, etc.	Portions of the N.Y.S. Comprehensive Auto Insurance Act are included in Appendix A.
C. Carriers of Goods and People	While a private carrier makes an ordinary contract as a mutual benefit bailee, a common carrier has two distinctions: (1) It is subject to government regulations imposed by the Interstate Commerce Commission or Public Service Commission; (2) It is an extraordinary bailee.
1. Types a. Common carriers • Subject to government regulations • Is an extraordinary bailee b. Private carriers c. Contract carriers	
2. Duties a. Furnish adequate facilities b. Accommodate all who apply	Discuss the circumstances when it is possible for a common carrier to refuse to accept certain cargo or passengers for transport.
3. Rights a. Lien b. Demurrage charge	
4. Common Carriers of Goods a. Responsibility as bailee b. Liability as insurer c. The contract • Straight bill of lading • Order bill of lading d. Exceptions to insurer liability • Act of God • Act of public enemy • Fault of shipper • Inherent nature of goods • Intervention of public authority	
5. Public Carrier of Passengers a. Passenger safety b. Baggage care • Checked vs. unchecked baggage • Proper identification of luggage	Point out situations when it might be justifiable for a public carrier to eject a passenger. Discuss the question: "May a public carrier ever limit his liability for baggage?"
6. Government Regulations	

Content	Teaching Suggestions
D. Hotels, Motels, and Other Accommodations	
1. Guest vs. Lodger	Several concepts should be clarified: How a hotel may be both a hotelkeeper and a boardinghouse keeper; how a hotel can limit its liability for stolen goods; when and why a hotelkeeper may exercise a lien on a guest's baggage.
2. Duties and Obligations of a Hotelkeeper a. Accept all who apply b. Safety of guests c. Belongings of guest • Valuables • Baggage d. Exceptions	
3. Rights of a Hotelkeeper	Emphasize the manner in which a hotelkeeper may limit his liability with respect to valuables. Discuss circumstances when a hotelkeeper may refuse to accommodate a guest.
E. Travel	
1. Payment for Services a. Credit cards b. Travelers' checks	Cover the immediate steps to take when credit cards or travelers' checks are lost or stolen.
2. Foreign Travel a. Passports and related documents b. Canadian travel obligations c. American citizen protection	The treatment of this section should be general in nature. Students should be familiar with the procedures for obtaining each of the documents identified in the outline. Discuss the changes in New York State Age of Majority legislation which make it easier for persons 18 and older to travel and vacation.

Illustrative Case Problems

Purchasing a Motor Vehicle

1. Hale purchased a station wagon under an installment payment contract. The contract contained a provision prohibiting repayment of the balance due on the contract before the maturity of the final installment. Is such a provision enforceable under the Motor Vehicle Retail Installment Sales Act?

   No. Any buyer may pay in full at any time before maturity of the final installment.

Comment: Even though Hale signed the contract, the provision prohibiting prepayment is unenforceable. Should Hale decide to prepay the balance he would receive a refund for service charges and interest that were included in the balance.

2. On March 1, Blake purchased on the installment plan a late model car from the Henry Motors Company. By March 25, Blake had not received delivery of the car nor a copy of the written contract signed by the seller. Does Blake have a right to cancel the contract?

   Yes. An installment purchaser of a motor vehicle, who has not received delivery of the vehicle nor a copy of the contract signed by the seller, may cancel the contract and receive an immediate refund of all payments and redelivery of all goods traded in to the seller.

   Comment: If Blake decides to cancel the contract, Henry Motors Company would have to return any car that Black gave as a trade-in and also refund any money that Blake paid toward the purchase of the new car.

Automobile Insurance

3. Arley, a resident of the State of New York, carried the required automobile liability insurance with "no-fault" coverage. As a result of an auto accident in which he was involved, Arley suffered bodily injuries and damages to his automobile. Can Arley recover compensation for both under the "no-fault" insurance law?

   No. The New York State "no-fault" insurance law applies to bodily injury only. Damage to Arley's car would be covered by collision insurance, if Arley carried such insurance, or by the property damage policy of the party who caused the damage.

4. Hal and Bob are discussing the "no-fault" automobile insurance law of New York State. Hal claims that the law covers only the injuries sustained by the insured, as well as his loss of wages. Bob maintains that it covers all members of a family living at home, all other passengers, and anyone driving the car with the owner's permission. Who is right?

   Bob is right. The "no-fault" insurance law covers not only the insured, but all members of his family living at home, all other passengers, and anyone driving the car with permission of the owner.

5. Jones, a New York driver, covered under the "no-fault" automobile insurance law was injured in an automobile accident. The police report of the accident indicated that Jones was in an intoxicated condition. Is Jones entitled to collect compensation from his insurance company?

   No. An insurance company may exclude from coverage a person who intentionally causes his own injury... is engaging in a race of speed test... is injured as a result of driving a motor vehicle in an intoxicated condition or while his ability to operate such a vehicle is impared by the use of a drug.

Comment: If it is proved that Jones was in an intoxicated condition, the company could exercise its prerogative in excluding Jones from coverage.

Carriers of Goods and People

6. The Flying Boxcar Line, an air-freight carrier, refused to accept an African monkey for transportation. The explanation given for refusing to accept the monkey was that the cargo planes were not pressurized and the monkey would not have sufficient oxygen at the altitudes the planes normally used. The shipper argued that since the line was a common carrier it must accept any and all goods. Was his argument correct? Why or why not?

   No. A common carrier may make and enforce reasonable rules and regulations governing the types of goods it will carry.

   Comment: In this case, the extraordinary circumstances required for transporting the monkey were valid reasons for the carrier to refuse to ship the animal.

7. Gorham concealed money in a crate of household goods he shipped by freight. The money was stolen while the shipment was enroute. Is the carrier liable for the loss? Why?

   No. If the shipper conceals the true value of the shipment, the carrier is relieved from liability for the amount of loss of the concealed items.

   Comment: One cannot expect to hold a carrier liable for goods that the carrier has no knowledge of being included in a shipment.

8. In the morning, the Truck Transport Company received several baskets of peaches which were to be shipped that day. The clerk who checked the peaches in, left them on an outside pla[illegible]m. Later, an unexpected hail-storm ruined the entire shipment of peac[illegible] Would the common carrier be excused from reimbursing the owner of t[illegible]eaches on the grounds that the loss was due to an act of God.

   No. A common carrier must take all reasonable precautions to protect goods which are in its custody.

   Comment: Failure of the clerk to move the peaches inside resulted in the carrier's becoming liable for not exercising the proper degree of care of the product.

9. While Simmons was a passenger on Tramway Bus, a common carrier, he provoked a quarrel with a fellow passenger, and received a broken nose. Simmons claims that the bus company is liable. Is Simmons correct?

   No. A common carrier is liable for injuries to its passengers only if it has been negligent.

   Comment: In this case there was no negligence on the part of the bus company.

Hotels, Motels, and other Accommodations

10. Johnson was a contractor who was building a road in the Rochester area. He knew that he would be needed in the area for several months, so, when he registered at the Hilton Motel, he notified the management that he would be staying for at least six months. One day, while Johnson was at work, his room was broken into and a watch and tape recorder were stolen. Johnson contends that the Hilton Motel is liable as an insurer of his property. Is Johnson correct?

    No. One who contracts for accommodations at a hotel on a long-term basis is a boarder and lodger and the hotel has the legal relationship of a boardinghouse keeper and is liable only as a mutual-benefit bailee.

    Comment: In this case Johnson is considered to be a boarder because of the length of time he would be staying at the motel. Furthermore, there was no evidence of less than ordinary care on the part of the hotel.

11. Black, 17 years old, stayed at a hotel while on a business trip. When Black tried to leave without paying his bill, the hotel refused to allow him to remove his luggage, claiming that they had a "hotelkeeper's lien." Black claimed that the hotel may not keep his luggage because he is a minor. Who is correct? Explain.

    The hotel is right. When necessaries are furnished to a minor, he is liable for their fair or reasonable value. An innkeeper has a lien on a guests' baggage for the amount of charges due for services and lodging furnished.

    Comment: If Black wants his luggage, he'll have to pay his hotel bill.

12. Jordan checked into the Wilson Hotel, carrying a considerable amount of money. The Wilson Hotel had a notice posted in each room which stated that the hotel would not accept responsibility for valuables unless they were checked with the desk clerk. Jordan felt that it would be inconvenient to turn the funds over to the desk clerk. That night Jordan's room was broken into and the money stolen. Is the hotel liable?

    No. A hotel is not liable if the guest does not use the hotel's safe facilities when he has been notified of them.

    Comment: Jordan's decision not to place the valuables in the hotel safe relieved the hotel of liability for loss of the money.

MODULE 6. PAYING FOR GOODS AND SERVICES
(Cover in approximately 10 classroom hours)

Checks, bank drafts and cashier's checks, and promissory notes circulate freely as substitutes for money. Negotiable instruments of this variety are essentially credit instruments and their characteristics can be traced back to the English law merchant.

Credit is also used widely today as a means of obtaining something of value in exchange for a promise to pay at some future time. Credit, as a means of paying for goods and services, has expanded in recent years at a phenominal rate. Credit is used in 80 to 90 percent of the total purchases and sales in the United States. The current consumer debt is, in fact, close to $150 billion, exclusive of real estate mortgages. Therefore, the legal implications of using credit and money in payment for goods and services have been grouped together in this module.

In presenting the content of this module, the teacher will have the opportunity to reinforce the following topics which were introduced in earlier sections:

- Tender of payment (Module 2)
- Part-payment of debts (Module 2)
- Extending time for payment of a debt (Module 2)
- Passing title in credit sales (Module 3)
- Security agreements (Module 3)

At the end of this section, the student will be able to:

- Describe usury.
- Define debtor and creditor relationship.
- Explain the liability of a credit card holder if the card is lost or stolen.
- Differentiate between a secured and an unsecured debt.
- Explain the rights of parties in open default of a credit agreement.
- Describe 2 effects of a refusal of tender of payment of a debt.
- Explain 3 major provisions of the Consumer Credit Protection Act (Truth-in-Lending laws).
- Define the 5 essentials of a negotiable instrument.
- Name 3 parties to most negotiable instruments.
- Explain 3 uses of negotiable instruments.
- Differentiate between 2 methods of negotiating an instrument.
- Explain the use of a blank, full or special, and restrictive endorsement.
- Explain the liability of an accommodation endorser.
- Define a holder in due course and his liability for a negotiable instrument.
- Give examples of 2 personal and 2 real defenses.
- Describe the effect of a personal or real defense against a holder in due course.
- Affix liability for forged checks.

- Explain the effect of the death of a depositor on his outstanding checks.
- Explain the provisions of the Uniform Commercial Code as related to (a) stale checks, (b) stopping payment on a check, (c) presentment of uncertified checks for payment, and (d) the liability of any person who by his negligence has contributed to a material alteration or forgery of a negotiable instrument.
- Apply the knowledges indicated above to case problems dealing with the legal responsibilities and liabilities of parties.

Content	Teaching Suggestions
A. Making Payments in Cash	
1. Money a. Medium of exchange b. Legal tender	Explain that a refusal of a tender of payment does not discharge a debt. The debtor still has the obligation to pay. While the original debt continues, the refusal of tender of payment stops accumulating interest and court costs.
2. Tender of Payment a. Offering to pay b. Refusing a tender of payment c. Waiver	
B. Using Credit	The use of credit instruments should be developed to the point that students fully understand the legal liability of signing a negotiable instrument or a security agreement to borrow money.
1. Debtor vs. Creditor	
2. Secured vs. Unsecured Debts	
3. Types of Credit a. Charge accounts • Regular charge account • Revolving or open-ended	Students should be able to distinguish between secured and unsecured consumer credit.
b. Loans • Kinds of loans – Personal vs. business – Secured vs. unsecured	Briefly present commercial credit and agricultural credit.
• Sources of loans – Banks – Credit unions – Consumer finance companies – Insurance companies – Loan sharks	Discuss the recent New York State legislation regarding Age of Majority and effect upon 18-year-olds opening bank accounts, obtaining loans, and qualifying for charge accounts.
• Usury c. Installment contracts d. Promissory notes	
4. The Credit Card a. Obtaining a credit card • Types of credit cards – general-use – limited-use	If possible, bring several samples of credit cards to class. Note that it is illegal in New York State for a firm to send you a credit card, unless you request it in writing.
• The application form	

Content	Teaching Suggestions
b. Liability if lost or stolen	Discuss the Federal Truth in Lending Law which limits the liability of a cardholder for unauthorized purchases on a lost or stolen credit card to $50. No liability exists if the lost or stolen credit card was unsolicited.
5. The Financing Statement a. Essential elements b. Rights of parties upon default c. Termination statement	
6. Recent Legislation a. Consumer Credit Protection Act	Obtain a copy of Section 611 of the Fair Credit Reporting Act.
b. Fair Credit Reporting Act	
c. New York State consumer protection laws • Unsolicited credit cards • Garnishees • Credit reporting agencies • Purchases on installment sales contracts	Detailed information on New York State consumer protection laws can be obtained from a local or nearby office of the Department of Law.
d. Lowering the Age of Majority • For opening a savings account • For opening a checking account • To open a charge account • To get a loan	Note the provisions of the New York State General Business Law — Section 703 dealing with billing errors based on credit card purchases: Required of the Customer: Within 30 days after the postmark date of the statement in question, notify billing company in writing on a document other than the payment stub. (Notice must be by certified or registered mail, return receipt requested.) Indicate your name and account number, the amount of the transaction you question, and the reason for your belief. Required of Billing Company: Acknowledge your notice within 30 days and not make any collection effort for the amount in question or report any unfavorable credit information based on nonpayment of the disputed amount until they, within 90 days, either correct the error and notify you in writing or notify you why they believe your statement was not in error.
7. Agencies Handling Credit Grievances a. The Federal Trade Commission b. The Post Office Department	

Content	Teaching Suggestions
c. New York State Department of Law, Bureau of Consumer Frauds and Protection d. Other local consumer affairs departments	
C. Negotiable Instruments (Commercial Paper)	
1. Essentials of a Negotiable Instrument a. Must be in writing and signed by the maker b. Must contain an unconditional promise or order to pay a sum certain in money c. Must be payable on demand or at a fixed or determinable future date d. Must be payable to order or to bearer e. Must designate a payee with certainty	Students should learn these essentials, by rote if necessary, so they readily will be able to determine if an instrument is complete or if any essential is missing. This will be particularly useful in solving case problems.
2. Checks a. Definition • Contract with bank • Parties to a check b. Writing checks c. Certification of checks • At request of drawer • At request of drawee d. Forged checks • Liability • Statute of Limitations e. Stopping payment • Procedure • Rights of a holder in due course f. Presentment for payment • Time for presentment to drawee • Stale checks (six-month's provision) g. Death of drawer prior to payment • Effect on drawee bank • Effect on holder of instrument	Some of the provisions of the Uniform Commercial Code will need special emphasis: • The 30-day period within which uncertified checks must be presented for payment • The 6-month's rule governing stale checks • Provisions governing stop-payment orders and payment by a bank after the death of a depositor • The liability of any person who by his negligence contributed to a material alteration or forgery of a negotiable instrument

Content	Teaching Suggestions
3. Promissory Notes a. Definition b. Parties	The overhead projector should be used as an aid to teaching how to fill out and endorse negotiable instruments properly.
4. Methods of Negotiation a. By delivery alone b. By delivery plus endorsement c. Negotiation vs. assignment	
5. Endorsements a. Purpose b. Kinds • Blank • Special or full	A role-playing project involving several students as endorsers is an effective means of illustrating the use of various defenses and to show the effect of dishonoring an instrument.
• Restrictive	It is important that students know that a restrictive endorsement does not prevent further negotiation of the instrument. They should also know the legal effect of endorsements "for deposit" and "for collection" because these endorsements are probably the most widely used today.
c. Accommodation endorser d. Liability of endorser or drawer if instrument is dishonored • Good title • Genuine and authorized signatures • No defenses of any previous party	Because many aspects of the law of negotiable instruments tend to be technical and far removed from the student's everyday experiences, such topics as warranties of general and qualified endorsers, personal and absolute defenses, and presentment and demand for payment should not be overemphasized by the teacher.
6. Holder in Due Course a. Definition b. Rights • Personal defenses —Fraud in the inducement —Prior payment —Lack of consideration • Real or absolute defenses —Forgery —Incapacity —Fraud in the execution	The student should not be expected to identify from a list those defenses which are or are not good against a holder in due course. He should be able to recognize that a personal defense (given as such) is good against a holder, and that a real defense (identified as such) is not good against a holder in due course.

Content	Teaching Suggestions
7. Liability of Parties a. Maker or drawer b. Endorsers c. Accommodation parties	Stress the fact that any person other than a bank has three days in which to give notice of dishonor. Banks have until midnight of the next banking day. Also, any party who can be compelled to pay the instrument may give notice of dishonor.
8. Presentment for Payment a. Method of presentment • In person • By mail • Through a clearinghouse b. Time of presentment • Where instruments shows due date • Where instrument is payable after sight c. Location of presentment • At place specified on instrument • At place of business • At residence d. When presentment is excused • Death or insolvency of primary party • Maker cannot be found • Waived by endorsers e. Notice of dishonor f. Presentment to secondary parties	

Illustrative Case Problems

The Credit Card

1. Harris received a department store credit card in the mail. He had not previously requested the store to send him one. The card was stolen from Harris and purchases amounting to $100 were made by the user of the card. Will Harris be liable for those purchases?

   No. The Federal Truth in Lending Law prohibits the issuance of credit cards unless a written request is made. The maximum liability that a credit card holder may be subject to in case of loss or theft of the card is $50, but then only under certain conditions.

   Comment: Since Harris did not make a written request for the credit card, the store cannot hold him liable for purchases made by the person who stole the card.

Making Payments in Cash

2. Mr. Kowalik tried to pay for some merchandise at a department store with

his personal check. The clerk refused to accept the check. Mr. Kowalik became quite indignant and said that a check was a form of legal tender and had to be accepted. Was Mr. Kowalik correct? Why or why not?

No. Only coins and currency of the U.S. Government are considered legal tender.

Comment: Checks are only a substitute for money. Therefore, the department store was correct in not accepting Mr. Kowalik's check as legal tender.

Negotiable Instruments

3. Goodrich gave Ames a note for $200 which was payable in 60 days. Before the note was due, he paid the note and obtained a receipt, but not the original note. Before the note was to mature, Ames transferred it to Ketchum who took it in good faith. On the maturity date, Ketchum presented the note for payment but Goodrich refused to pay. Ketchum then sued Goodrich. Could Ketchum recover from Goodrich?

   Yes. One who receives a note in good faith before maturity becomes a holder in due course against whom previous payment is not a good defense.

   Comment: Goodrich's failure to obtain the note when he paid it made him liable for paying the note to a subsequent holder in due course.

4. Shibles drew a personal check which he had certified at his bank and mailed it to Rowe Bros. Rowe Bros. endorsed and deposited the check and it was promptly returned to them marked "account closed" and payment refused. Rowe Bros. then instituted suit against the bank for payment of the certified check. Will Rowe Bros. be successful? Why or why not?

   Yes. When a bank certifies a check, it makes an unconditional promise and must pay the check to the payee upon presentment.

   Comment: At the time the bank certified the check, it subtracted the amount of the check from the balance in Shibles' checking account. Even though Shibles' account subsequently closed, the amount of the certified check is still available to honor payment.

5. Marshall made a promissory note payable to Dufort. Dufort endorsed and negotiated the note to McFaul. On the due date McFaul made proper presentment for payment and it was dishonored. Ten days later McFaul mailed notice of dishonor of the note to Dufort by registered mail, and Dufort refused to pay McFaul. Can McFaul make Dufort pay for the dishonored note? Why or why not?

   No. To hold an endorser liable, notice of dishonor must be given within the following three business days. (Neither Saturday or Sunday is counted.)

   Comment: McFaul's delay in giving notice of dishonor relieved Dufort of liability for payment.

6. Murphy brought his income tax refund check to a store in order to pay for repairs to his outboard motor. Murphy printed his name in pencil on the back of the check and handed it to the store clerk. The clerk refused to accept the check claiming the endorsement should be hand-written in ink. Is the clerk correct?

   No. An endorsement may be printed and in pencil.

   Comment: The fact that the signature was printed in pencil does not affect the validity of the endorsement. The intent to transfer the check was indicated by Murphy's printing.

7. Fred was showing his friend, Hal his new CB set. Fred said "What a bargain, I'm only paying $30 a month for two years." Hal said, "Did you know you are paying $720 for a set that usually sells for $400?" Fred replied that he did not know the total price of the set when he bought it and that he did not receive a copy of the sales contract. Was the store guilty in violating the Truth-In-Lending Law?

   Yes. Credit sellers are required to tell customers the total costs of purchases, the total amount of finance changes, and the annual percentage rate.

MODULE 7. FAMILY PROTECTION
(Cover in approximately 10 classroom hours)

Insurance against financial loss resulting from damage to property was treated in earlier sections. In this module, students will study life and health insurance as well as benefits provided under government assistance programs.

Family protection must also be considered as it relates to the disposition of property following death. Students should appreciate the protection provided under the Decedent's Estate Law and the advantages of disposing of one's property through a valid will.

Upon completion of this module, the student should be able to:

- Define 4 kinds of life insurance policies
- Explain 5 of the standard clauses contained in most life insurance contracts
- Compare level with decreasing term insurance
- Describe 3 major coverages of health and accident insurance
- Give 3 qualities a person must have in order to make a valid will
- Specify 3 essentials of a valid will
- List the order of priority in the distribution of an estate when there is no will.
- Give 2 differing functions of an administrator and of an executor of an estate.
- Identify the circumstances under which an estate reverts to the State.
- Give the titles of the Federal laws which have established 3 prevailing government assistance programs.
- List 2 benefits available under each of 3 government assistance programs.

Content	Teaching Suggestions
A. Life Insurance	
1. Parties to the contract 2. Insurable interest 3. Minors 4. When policy takes effect	Most students will have a limited understanding of the purpose of life insurance; namely, the payment of money in the event of death of the policyholder. Other facets of life insurance should be explained, the creation of an instant estate, using the life insurance policy as collateral, the the savings element present in most policies.
5. Life Insurance Policies a. Term • level • decreasing b. Straight Life c. Limited Payment d. Endowment e. Annuity	

Content	Teaching Suggestions
6. Life Insurance Clause a. Beneficiary b. Incontestability c. Grace period d. Misstatement of age e. Double indemnity f. Suicide g. Disability - waiver of premium h. Assignment of policy i. Nonforfeiture rights • Automatic premium loan • Paid-up insurance • Extended Term insurance • Cash surrender value j. Settlement options • Lump sum • Monthly payments • Interest payments	Chart #11, Life Insurance, may be used as a visual aid in teaching the major clauses of the policy. Each overlay may be used to help students understand the unique vocabulary of life insurance. Unless the teacher is very well informed and current about personal-lines insurance coverages, invite an agent to explain the intricacies of the life and sickness and accident policies to the class. The students will discover the immediate personal application of this subject and will ask the agent many technical questions.
B. Sickness and Accident Insurance	
1. When coverage takes effect a. Group policy b. Individual policy	Point out that persons 18 years of age or over may now contract for life insurance without restrictions on designated beneficiaries.
2. Types of coverage a. Basic sickness coverage • Hospital expense insurance • Regular medical insurance • Surgical expense insurance b. Major Medical • Deductible clause • Coinsurance provision c. Disability income d. Dental	
3. Renewal provisions a. Renewal at the option of the company b. Guaranteed renewable c. Guaranteed renewable and noncancellable.	
C. Government Assistance	Personal insurance protection is built on a foundation of Social Security and other Federal and State programs. Students should have an understanding of how the various government programs are financed, the benefits available under each program, and how to apply for
1. Unemployment Insurance	
2. Workman's Compensation a. Contributions b. Benefits	

Content	Teaching Suggestions
3. N.Y.S. Disability Law	benefits. Current contribution rates and schedules of benefits should be used when presenting this topic.
4. Old Age and Survivor's Benefit (Social Security) a. Historical significance b. Benefits • Old Age • Survivors • Disability c. Contributions	Limit the treatment of Social Security here to the topics given. This law will be covered again under Employment Legislation in Module 9.
5. Medicare	
D. Disposition of Property	
1. Rules of Descent and Distribution a. Appointment of Administrator b. Distribution of estate • Spouse and issue • Spouse and parents • Children and their issue • Other nearest relatives • Escheat	The distinction between disposing of property with or without a will should be a major topic of discussion in this section. Chart #12 depicts the distribution of property without a will (intestate) under the Estates, Powers and Trust Law (4-1 1.) Students should understand the distribution to spouses and children.
2. Wills a. Purposes of a will b. Types of wills • Those formally executed • Nuncupative • Holographic	The discussion of wills is another area in which to emphasize the importance of obtaining the services of a competent attorney in order to assure strict compliance with the statutes of New York State.
c. Qualifications of Testator • Must be of legal age • Must be of sound mind • Must be free from undue influence	In New York State, any competent person 18 years of age or older may make a will disposing of real and personal property.
d. Executing a Will • Writing • Witnesses • Signature • Location - In New York State - Outside New York State	Two witnesses are required; three witnesses are prefered. A witness should not be anyone who will benefit from the will. He or she should also be one expected to survive the testator. A testator may make his mark, ask someone to sign his name in his presence, have someone guide his hand, or affix his fingerprint.

Content	Teaching Suggestions
e. Changing or Revoking a Will • Codicil • Making a new will • Destroying	Discuss that a codicil should be executed with the same care and formalities as the original will. A will cannot be amended by deletions, changes, or interlineations in the will by the testator alone. Witnesses are needed. It is desirable to periodically review the will.
f. Limitations on testator • Creditors • Surviving spouse • Charitable gifts	Distinguish between a devise (a gift of real estate) and a bequest or legacy. In New York State, a trust may not last longer than the duration of the lives of the persons who are living at the creation of the trust, plus 21 years.
g. Administering a Will • Surrogate's Court • Role of executor • Administrative expenses • Taxes	
h. Types of disposition • Devise • Bequests or legacies	Emphasize that a person entitled to a portion of an estate in intestacy may contest the will. It is not necessary to explain the grounds for contesting a will.
i. Where to keep a will • Attorney's office • Safe deposit box • Possession of a fiduciary • Surrogate's Court	

Illustrative Case Problems

Wills

1. Widow White died after being nursed through a long illness by her daughter, Mary. Mrs. White's three surviving children agreed that, in the absence of a will, they would divide her estate one half to Mary and one fourth to each of the two sons. Can they do this?

   No. The real and personal property of an intestate are distributed in accordance with state laws.

   Comment: Mrs. White's three children will have to share her estate equally according to the inheritence laws of N.Y. State. The sons may reward the daughter's devotion to her mother after receiving their shares.

2. After Mr. Getty's death, two wills, dated May 6, 1972, and April 9, 1976, were found in his safe deposit box. Both wills were legally correct in every detail; but Mrs. Getty contended that the 1972 will should be in effect, because it granted her a larger share of her husband's estate. Would a probate court uphold Mrs. Getty's contention? Why or why not?

No. When a testator makes more than one will, the will having the most recent date will be admitted for probate.

Comment: The probate court will recognize the terms of the April 9, 1976, will; and Mrs. Getty will receive a smaller share of her husband's estate.

3. Caplan, who had no relatives, made a will in which he directed that all of his estate be given to the House of Good Samaritan. O'Toole had proof that Caplan owed her $750 before he died, but made no provision for repayment in the will. Can O'Toole collect from the estate? Why or why not?

Yes. The rights of a creditor may not be defeated by a will.

Comment: O'Toole will collect her $750; and the House of Good Samaritan will receive the remainder of the estate.

Life Insurance

4. Black took out a life insurance policy on his business associate, Brown, who owed him $5,000. Black was named Brown's beneficiary; and he continued to pay the premium on the policy after the debt was repaid and until Brown died. Could Black legally collect on Brown's policy? Why or why not?

Yes. In life insurance the insurable interest must exist only when the contract goes into effect.

Comment: Black, as Brown's beneficiary, will get the proceeds of the life insurance policy because he had an insurable interest at the time the contract became effective and he continued paying the premium.

5. In order to get a lower premium, McClure stated that she was 18 on her application when she was really 21. She paid this premium on a full life policy until her death. Then the insurance company found out her correct age and refused to pay McClure's beneficiary on the basis of material misrepresentation on the application. Did the insurance company have to pay?

Yes. Misstatement of age does not relieve an insurance company of its liability on a policy.

Comment: Misstatement of age does not cancel the policy, the proceeds of the policy will be determined by deducting the underpaid premiums from the face value.

Government Assistance Programs

6. Arlene's position as head of the accounting department was eliminated; and she lost the job she had held for five years. She, therefore, applied for unemployment compensation. One month later, the clerk at the State Employment Service offered her a bookkeeping job at half

her previous salary. She turned down the offer because the pay was not what she wanted. Will she collect unemployment benefits. Why or why not?

No. An applicant for unemployment compensation will disqualify herself if she refuses to accept a suitable job offer.

Comment: Arlene was qualified to work as a bookkeeper. She cannot hold out for as high a salary or position as her previous job and still expect to collect under the Unemployment Compensation regulations.

MODULE 8. EMPLOYMENT AND AGENCY RELATIONSHIPS
(Cover in approximately 10 classroom hours)

An employee is one who does work for another person under his or her direction and control. A person who acts as the representative of another is an agent. Sometimes, when an employee represents the principal in dealings with third parties, he or she may also become an agent.

This module will examine the legal distinctions between employment and agency relationships. The development of social legislation which provides protection for employees will also be covered.

Most of the students of Business Law will soon be entering the world of business and industry as employees, agents, managers, or owners. Therefore, the content of this module should be of immediate concern.

At the end of this section, the student will be able to:

- Give the distinguishing characteristics of each of the 3 principal types of business relationships: employee-employer, agent-principal, and independent contractor.
- Explain 3 ways in which an employment or agency relationship may be created.
- Identify the difference in authority of general (discretionary) agent, special agent, factor, and del credere agent.
- Explain 3 obligations of each party to an employment contract.
- Explain the liability of an agent or employee for acts that might be considered (a) tortious, (b) fraudulent, (c) outside the scope of his authority, and (d) of a warranty nature.
- Explain the liability of a principal to a third party for the acts of an agent or employee.
- Describe 5 ways an employment or agency contract may be terminated.
- Identify 3 Federal and 3 State laws which are designed to provide and/or protect employer-employee rights and benefits.
- Describe 3 benefits provided covered workers under the current provisions of the Social Security Act.
- Solve case problems relating to the content of this module.

Content	Teaching Suggestions
A. Parties to an Employment Contract 1. Employee-Employer 2. Agent-Principal a. General agent b. Special agent c. Del credere agent	This introductory section to the contract law governing employment relationships should be devoted to making a distinction between the parties to the various types of contracts. Have students relate instances when they have been agents (for their parents) and when they have been employees (part-time work after school).

Content	Teaching Suggestions
3. Independent Contractor	Students should be able to distinguish between the limitations of such special agents as auctioneer, broker, and factor.
B. Creation of Employer-Employee Relationship	
1. By Appointment (contract) a. Oral or written b. Express or implied	Students should understand that the employment contract is subject to the Statute of Frauds. While the most common method of creating an employer-employee relationship is by independent contract, such a relationship may also result from a collective bargaining agreement.
2. Documents for Obtaining Employment a. Birth certificate b. Working papers c. Social Security card	
3. Statute of Frauds	Explain the process of obtaining the 3 employment documents. Emphasize the need for safekeeping these documents.
4. Recent N.Y. State legislation regarding employment of a. 14 and 15 year olds b. 16 and 17 year olds c. 18, 19, and 20 year olds	An excellent resource for clarifying employment of minors would be your schools' work experience or cooperative education program coordinator or guidance counselor.
C. Creation of an Agency Relationship	
1. By Appointment (contract) a. Oral or written b. Express or implied	Emphasize that certain types of acts may not be performed through an agent; i.e., acts that are personal in nature, and illegal acts.
2. Through Appearance	
3. Through Ratification	Determine the meaning of a gratuitous agent.
4. By Necessity	Discuss husband-wife agency relationships.
D. Obligations of Parties	Emphasize that the right of one party creates an obligation for the other party. The employee has the right to be paid for work; therefore, the employer has the obligation to compensate the worker for his services. The principal has the right to expect all monies to be returned to him; therefore, the agent has the obligation to account for cash belonging to the principal.
1. Employer (or Principal) a. Compensation b. Reimbursement c. Indemnification	

Content	Teaching Suggestions
	The teacher should make a clear distinction between such terms as reimbursement and indemnification.
2. Employee (or Agent) a. Loyalty b. Obedience c. Judgment and skill d. Accounting	Emphasize that an agent is expected to act in person except when authorized to appoint a subagent.
E. Liability to Third Parties for Acts of Employee or Agent	Show that a third party may bring action against the employer and/or the employee.
1. Employer's (or Principal's) Liability a. Torts by employee or agent b. Contracts made by agent • Within actual scope of authority • Within implied scope of authority • Within apparent scope of authority	Basically, the employer (or principal) is responsible for any act of an employee (or agent) committed in the scope of employment. Emphasize the meaning of apparent authority when determining the scope of employment.
2. Employee's (or Agent's Liability) a. Torts, fraudulent acts, crimes b. Contracts outside the agent's authority c. Warranties made by an agent	Discuss warranties which may be customary in certain types of businesses.
F. Termination of Employer-Employee Relationship	Discuss situations where an employer fails to fulfill his obligations to an employee and the effect on an employment contract. Also, when an employee fails to live up to his obligations and the effect on the contract.
1. By Mutual Agreement	
2. Through Impossibliity of Performance	
3. By Operation of Law	Identify circumstances when an employer might make employee performance impossible.
G. Termination of an Agency Relationship	
1. By Performance	
2. Through Mutual Agreement	Have a student explain "an accord and satisfaction."

Content	Teaching Suggestions
3. By Breach	
4. By Revocation	Examine the effect of revocation by principal or abandonment by the agent of an agency contract.
5. Through Impossibility of Performance	
6. Through Renunciation by Agent (abandonment)	
7. By Operation of Law a. Death of principal or agent b. Bankruptcy of principal or agent c. Destruction of subject matter of the agency d. Subsequent illegality of contract	Discuss types of legally recognized impossiblity that will terminate an agency relationship. Treat termination as related to an agency coupled with an interest.
H. Employment Legislation	
1. Federal a. Fair Labor Standards Act • Wage and hour requirements • Child-Labor laws • Federal Equal Pay Act • Equal Pay Act of 1963 b. Civil Rights Act of 1964 c. Occupational Safety and Health Act of 1970 d. Old Age and Survivor's Benefit Insurance (Social Security) • Benefits • Employment tax • Self-employment tax • Eligibility for benefits e. Labor-Management Relations Act (Taft-Hartley Act)	This section includes some of the more pertinent labor and social legislation on the Federal and State levels. Information dealing with specific benefits are subject to frequent change; therefore, a discussion of the major provisions of each act seems more feasible than to expect students to memorize the benefits available currently under each act. Examine the method for funding the Social Security Program, the relative contributions by the employers and employees, review Social Security benefits covered in Module 7.
2. New York State a. Workmen's Compensation Law b. Disability Benefits Law c. Human Rights Law d. Unemployment Insurance Law	During the development of the improvement of employee-employer relationships, highlight the following: • The poor working conditions under which industrial workers labored prior to corrective legislation.

Content	Teaching Suggestions
e. Civil Service Law	• The conditions in the 1930's that led to the passage of the Social Security Act. • The changes in the balance of power in contract negotiating brought about by the Wagner and Taft-Hartley Acts.

Illustrative Case Problems

Agency

1. The Lemon Automobile Agency hired Sharp, a 17 year old high school graduate, to sell used cars. Sharp sold a nice car to Miss Fortune, a former teacher. When she drove it to church that next Sunday, the car broke down. Knowing Sharp was a minor, Miss Fortune asked the agency to take the car back, claiming that Sharp could not legally act an an agent. Could Miss Fortune break the contract of sale on these grounds? Why or why not?

   No. An infant may serve as an agent, binding his principal and third parties to contracts.

   Comment: The contract of sale made by the minor is binding.

2. Baker authorized Taylor to sell his (Baker's) boat for $3,000 cash. Taylor was unable to find a cash buyer; and he finally sold the boat for $1,500 down and the balance to be paid in 15 monthly installments of $100 each. Is there a binding agreement between the principal and the innocent third party? Why or why not?

   Yes. An agent may bind a principal on contracts made within the agent's actual or apparent scope of authority.

   Comment: Taylor had the actual authority to sell the boat for $3,000. To the innocent third party, Taylor also had the apparent authority to sell the boat for $3,000 on the installment plan.

3. Alice Bailey, store manager, was told when she was hired by the owner of the store to sell only for cash. However, she soon found that she could increase sales for the store by giving credit to selected customers she had screened for good credit ratings. Subsequently, one of her credit customers could not pay as agreed. Was Bailey responsible to the owner for the unpaid debt?

   Yes. An agent is liable to the principal for any loss resulting from failure to follow instructions.

   Comment: Ms. Bailey, although she had the company's best interests at heart, disobeyed instructions to sell only for cash and is liable for the loss.

Employment

4. Jones improperly used a drill while at work in the Acme Manufacturing Company. He not only broke the drill, but he injured his hand to the extent that he had costly doctors' bills and was unable to work for several weeks. Will Jones be responsible for the medical bills?

   No. An employee injured in the course of his or her job is entitled to benefits under the Workmen's Compensation Act.

   Comment: Jones will be compensated for loss of wages and will also be covered for medical expenses.

5. Henri, the waiter, slipped and spilled a hot bowl of soup on a customer. The customer was severely scalded and taken to the hospital. Was the restaurant owner liable to the customer for the injuries suffered as the result of the accident? Why or why not?

   Yes. An employer is liable for the acts of employees committed in the scope of employment.

   Comment: Since the act was committed within the scope of employment, the restaurant owner could be sued by the customer for any losses suffered as the result of the accident.

6. Valerie, after starring on the U.S. Women's Basketball Team in the Olympics, agreed, in a conversation with her manager, to become a member of a professional team he was forming. The manager told her she would receive $20,000 a year for three years. After touring foreign countries for one season, Valerie became homesick and quit the team. The manager sued her for $50,000 damages for breach of contract. Will he suceed in the suit?

   No. A contract that cannot be completed within one year from the date on which it is made must be in writing to be enforceable.

   Comment: Since the three-year contract was made orally, Valerie cannot be held liable for damages resulting from the breach.

MODULE 9: BUSINESS OWNERSHIP
(Cover in approximately 5 classroom hours)

This module is concerned with the principal types of business organization existing in our country today: the sole proprietorship, the partnership, and the corporation. Also, students should become familiar with the unusual features of a cooperative, mutual company, holding company, and conglomerate as variations of the principal forms of business organization. The selection of the type of organization is a matter for the owner or owners to decide at the time of formation of the business. It is not unusual, however, for a business to begin as a sole proprietorship, to later expand into a partnership, and ultimately to be incorporated.

Our modern law of partnership, as expressed in case law and in the Uniform Partnership Act, is founded upon principles originating in Roman civil law, the law merchant, and in English common law. A careful study of the Uniform Partnership Act will show that some of the principles of law are peculiar to partnership, while others are governed by the law of contracts, by property law, and sometimes by the law of agency. New York State Partnership Laws may be found in McKinney's Consolidated Laws of N. Y. State.

The growth of the corporation as a preferred form of business organization is undoubtedly due to certain of its legal characteristics, such as: limited liability of the stockholders for the debts of the corporation, continuous corporate existence, and ease in transferring ownership to others. Corporations in this State are governed by the Business Corporation Law and the General Corporation Law of N. Y. State.

At the end of this section, the student will be able to:

- Identify a legal requirement to be met in forming a sole proprietorship.
- Give 5 advantages or disadvantages of operating a sole proprietorship.
- Describe 3 legal considerations in forming a partnership
- Give a distinguishing feature of each of the following types of partners: general, limited, silent, and secret.
- List 5 advantages or disadvantages of the partnership form of operation.
- Explain 5 kinds of authority or rights each partner has.
- Give 3 obligations each partner has to the other partners.
- Describe 3 types of liability assumed by each partner toward third parties.
- Show 3 causes for the dissolution of a partnership.
- Name 5 different types of corporations.
- Give 3 advantages and 2 disadvantages of incorporating a business
- Distinguish between the express and implied powers of a corporation
- Distinguish between domestic and foreign corporations
- Describe 2 legal powers of a private corporation
- List 3 principal powers or duties of the board of directors of a corporation
- State 5 rights of a stockholder.
- Describe 3 protections given stockholders under government regulations
- Explain 5 ways in which a corporation may be dissolved.
- Solve case problems pertaining to the content of this module.

Content	Teaching Suggestions
A. Sole Proprietorship 1. Formation 2. Advantages 3. Disadvantages 4. Liability of Owner a. For own acts b. For contracts made • As a minor • As an adult c. To third parties	The desire to be one's own boss is a major incentive to many individuals for starting a sole proprietorship. Local and State statutes may stipulate certain requirements (obtaining a license for barbering, or registration of an assumed name); otherwise no particular formality, except filing company name with county clerk, is required to starting a sole proprietorship. Ample time should be devoted to explaining the concept of unlimited liability; that is, the sole owner is personally liable for all debts of the proprietorship. Elicit from your students the advantages and disadvantages of the sole proprietorship form of business operation in comparison with the partnership or corporation. Some examples are: Advantages — • Ease of formation and dissolution • Lower administrative costs • Authority more centralized • No sharing or dilution of profits • Organization is more flexible • Operations more secret • Relatively free of government regulations Disadvantages — • Unlimited liability for debts • More difficult to raise capital • The organization has a limited life • Lack of continuity of management • No one to share responsibility
B. Partnership 1. Formation a. Articles of copartnership b. Filing of trade name with county clerk c. Statute of Frauds	Discuss the "joint venture," which is not a legal partnership or corporate organization, but is a limited venture for profit by two or more persons. Persons 18 years or older may now enter into partnership agreements; and such contracts may <u>not</u> be avoided by them.

Content	Teaching Suggestions
2. Types of Partners a. General b. Limited c. Silent d. Secret	Legal principles which students have learned in previous units, especially units on contracts and employment, should be reviewed and related to the study of partnership law. Explain the meaning of an "ostensible partner."
3. Advantages 4. Disadvantages	Students should fully understand the risks involved in the operation of a partnership and the liability of each partner to third parties. The advantages and disadvantages of sole proprietorships may be used as a starting point for the class to develop a similar list for partnerships. Many of the disadvantages of one form of organization become advantages in the other. Advantages – • The capital of all partners is available • There is joint responsibility for management • More flexibility of administration • The talents of all partners are available • Easier to organize and dissolve than a corporation Disadvantages – • Unlimited liability of all partners • Partnership is terminated by the death or at the will of any partner • Divided authority • Have to share profits • All partners are responsible for acts of other partners • The tax liability is greater
5. Operation a. Rights of partners • Share in management • Share in profits • Inspect the firm's books • Return of loans with interest	The study of the principles of partnership law may be simplified by first giving students an overview of the two main categories into which most of the legal principles fall:

Content	Teaching Suggestions
b. Authority of a partner • Make binding contracts within scope of business • Receive money owed to firm • Borrow money for partnership purposes • Buy and sell goods within scope of business • Hire employees and appoint agents	• Those dealing with rights and obligations of partners in their relations with one another • Those dealing with rights and obligations of partners in their relations with third parties
c. Obligations of partners to each other • Loyalty • Accounting • Obedience • Judgment and skill	Compare these obligations with the obligations of an agent to his principal. Emphasize that partners must act with the highest integrity and good faith.
d. Relationship to third parties • Authority of partners – Express – Implied – Apparent • Tort liability • Debt liability – While a member – Before admission – After leaving the firm	Examine the latest legislation in New York State regarding the 18-year-old and partnerships. Point out that a minor may withdraw from a partnership at any time before reaching his majority. However, he may not withdraw his investment, if by so doing he would make it impossible for the firm's creditors to collect what is due them.
6. Dissolution a. Expiration of period of partnership agreement b. Subsequent agreement c. Change in partners d. Death of a partner e. Bankruptcy f. Court order	Show that bankruptcy of the firm or of one partner causes a dissolution of the firm. Cite some circumstances when a court might order the dissolution of a partnership.
7. Effect of Dissolution a. Distribution of assets b. Liability for debts	Emphasize the fact that a partner is always liable to the other members of the firm for his share of the firm's debts. If one partner is forced by creditors to pay all firm debts, he has a right against the other partners for their share.

Content	Teaching Suggestions
C. Corporation	Stress that: • Only one incorporator is required in New York State to file a Certificate of Incorporation. • Citizenship and residence have been eliminated as requirements to qualify for incorporation.
1. Formation a. Certificate of incorporation b. Powers • Express • Implied • General c. Name	The name of a corporation is limited by the corporation laws of the State and must have the word "corporation" or "Inc." in its name. Cite examples of each of the types of corporations listed.
2. Types a. Public b. Private c. Profit d. Nonprofit e. Stock f. Nonstock g. Domestic h. Foreign	
3. Advantages 4. Disadvantages	The advantages and disadvantages of the corporate form of organization are directly related to those of the sole proprietorship and the partnership. Advantages – • Stockholders have limited liability • The enterprise has unlimited life • Ownership easily transferable • The corporation is a legal entity • Credit and capital obtained through sale of stocks or bonds • Policy decisions shared by a board of directors • Several administrators responsible for management Disadvantages – • The legal entity is difficult to organize • More State and Federal regulations apply • More taxes on incorporation, stock transfers, income, etc. • Scope of activities limited by wording of certificate of incorporation • Officers are limited in scope of authority

Content	Teaching Suggestions
5. Corporate Structure a. Organizational pattern • Stockholders • Board of directors • Officers • Managers • Supervisors • Employees b. Capital stock • Authorized • Issued and outstanding • Types – Common – Preferred c. Corporation bonds	Discuss the authority that each of the parties listed in the organizational structure usually has. Distinguish between capital stock and bonds issued by a corporation. Discuss the change in New York State Business Corporation Law which permits persons 18 years or older to serve as directors of corporations.
6. Operation a. Powers of a corporation b. Liabilities of a corporation c. Rights of stockholders • Stock certificate • Vote • Dividends • Inspection of books • Preemptive right • Sell his shares d. Liability of stockholders • Unpaid stock subscription • Limited liability for debts • Unpaid wages	Explain the meaning of an *ultra vires* act. Discuss the processes of voting by proxy and cumulative voting. Invite a stockbroker or a knowledgeable parent to discuss methods of acquiring and disposing of stock with the class.
7. Dissolution a. Expiration of certificate (agreement) b. Forfeiture of certificate c. Merger d. Consolidation e. Reorganization f. Suit by minority stockholders	Explain the functions of a holding company and how certain corporations merge and form conglomerates. Repeated *ultra vires* acts may result in the forfeiture of a certificate of incorporation.
8. Protection of Stockholders a. Securities and Exchange Commission b. United States Postal Service c. Blue-Sky Laws d. Regulations established by a stock exchange or a broker	Discuss Blue-Sky Laws which have been enacted by the State to protect investors from fraudulent stock-selling schemes.

Content	Teaching Suggestions
D. Other Forms of Business Organization 1. Mutual Companies 2. Cooperatives	A supply of corporate forms and documents should be on hand to supplement and explain the subject matter discussed in this module. These items might consist of a certificate of incorporation, a specimen stock certificate, proxy forms, notice of stockholders' meetings, and notices of dividend declarations. General Business Law requires the filing of a certificate in the County Clerk's office by persons conducting business under assumed names or as partners. Partners under 18 years of age must be so listed.

Illustrative Case Problems

Corporations

1. The directors of Aerospace, Inc. declared a dividend of one dollar per share to shareholders of record on August 12, payable September 10. On August 17, Gould purchased Maurer's shares of Aerospace, Inc. stock. Was Gould entitled to the declared dividend? Why or why not?

   No. Only shareholders of record on the date that dividends are declared by a corporation are entitled to receive those dividends.

   Comment: Since Gould was not the stockholder of record on the date of the declaration of dividends, he is not entitled to them.

2. Jackson, who owned 80 percent of the stock of the Belden Corporation, died. Did his death dissolve the corporation? Why or why not?

   No. The death of a stockholder does not terminate the existence of a corporation.

   Comment: A corporation is a legal entity and is not dissolved upon the death of a stockholder.

3. Singleton started a bicycle repair business when he was 16 years old. Two years later, he saw the advantages of making his business a corporation. He then correctly prepared and filed articles of incorporation with the N.Y. Secretary of State. Will Singleton be considered a legally competent adult and be granted a certificate of incorporation?

   Yes. New York State permits one or more legally competent adults to form a corporation.

Comment: As Singleton had reached his majority at age 18 and had correctly filed, he will be granted a certificate of incorporation.

Partnerships

4. Abel, because of the illness of his partner, Dixson had to devote more than his share of time and effort to the operation of their business. Abel claimed he was entitled to compensation for the extra work he had done. Is Abel correct? Why or why not?

   No. Unless previously agreed upon, partners are not entitled to extra compensation for services rendered to the firm.

   Comment: Abel has no legal obligation to reimburse Dixson for the additional service. He may, however, feel a moral obligation to pay Dixson for the extra time and effort.

5. Doran and Arnold agree to admit Craig as a partner into an existing partnership against the wishes of Kester, the third partner. Arnold and Doran claim that they can admit Craig, because a majority rules. Are they right? Why or why not?

   No. Admission of a new partner to an existing partnership requires unanimous consent of the original partners.

   Comment: All three partners would have to agree to admit Craig to the partnership.

6. Spencer entered into an oral partnership agreement with Tracy for a period of two years. Six months later Spencer became ill and indicated his desire to withdraw from the partnership agreement. May he do so? Why or why not?

   Yes. Under The Statute of Frauds, any agreement that cannot reasonably be expected to be carried out within one year from the date it is made must be in writing to be enforceable.

   Comment: Inasmuch as the contract could not be completed within one year from the date made, it is unenforceable.

APPENDIX A

Significant Provisions of the New York State "No-Fault" Insurance Law
(Comprehensive Auto Insurance Reparations Act)

1. All motor vehicles except motorcycles registered in New York State are covered by "no-fault" insurance as well as bodily injury liability insurance.

2. Persons injured under the law are protected while riding in or struck by a vehicle in the State of New York.

3. Persons insured include all members of a family living at home. All other passengers, and anyone driving the owner's car with the owner's permission, are protected while riding in the car.

4. The New York "no-fault" insurance law applies to bodily injuries only.

5. The New York "no-fault" law sets a limit of $50,000 per person for "basic economic loss"..... the combined total of medical expenses, loss of income and expenses for necessary services to be paid an injured person by his own insurance company. Higher limits may be purchased.

6. Premium savings are available to anyone choosing a medical expense deductible of $200 per family.

7. An injured insured person who becomes disabled due to an automobile accident may receive 80 percent of his lost wages up to $1,000 a month for three years.

8. An injured insured person who is a nonincome producer, such as a housewife unable to perform household duties or other essential services, may receive up to $25 per day for one year, if someone is hired to perform such duties.

9. An injured person or his survivor has the right to sue another party under the "no-fault" law for "serious injuries" such as:

   a. injuries which result in death, dismemberment, significant disfigurement, a compound or comminuted fracture; or permanent loss of use of a body organ, member, function, or system; or
   b. the reasonable and customary value of medical, hospital, surgical, nursing, dental, ambulance, x-ray, prescription drugs, and prosthetic services necessarily performed as a result of the injury that exceeds $500. This is known as the "threshold for suit."

10. For a small additional charge, New York's first party, no-fault protection may be extended to cover travel outside the state.

11. The new no-fault law has no effect on present property damage coverages or financial requirements. Claims for damages to an owner's vehicle still will be covered by his own collision or comprehensive insurance

policy. If another motorist is at fault in an accident causing property damage, he may still be sued. Therefore each motorist (car owner) must still buy property damage insurance to protect himself against being sued.

12. Car owners are still required to carry minimum liability insurance (bodily-injury limits of $10,000 per person and $20,000 per accident and a property-damage limit of $5,000). Higher liability insurance limits may be purchased.

APPENDIX B

Significant Provisions of the New York State
Motor Vehicle Retail Installment Sales Act

1. A retail installment contract shall be in writing, shall contain all the agreements of the parties and shall be signed by the buyer and the seller.

2. The contract shall contain the names of the seller and the buyer, the seller's place of business, the residence or place of business of the buyer, and a description of the motor vehicle including its make, year, model, and identification numbers or mark.

3. The contract must contain notice to the buyer that:

   a. he should not sign the contract without reading it or if it contains blank spaces;
   b. he is entitled to a completely filled-in copy of the contract when he signs it;
   c. he may pay off in advance the full amount due and obtain a partial refund of the credit service charge;
   d. he has a right to redeem the property if repossessed for a default;
   e. he may require, under certain conditions, a resale of the property if repossessed;
   f. he has the privilege of purchasing the insurance on the motor vehicle provided in the contract from an agent or broker of his own selection.

4. The installment contract shall contain all items required to be disclosed by the "Truth in Lending Act" and the regulations under the Act.

5. A copy of the contract signed by the seller shall be delivered to or mailed to the buyer. Until this is done, a buyer who has not received delivery of the motor vehicle shall have an unconditional right to cancel the contract and to receive immediate refund of all payments made and redelivery of all goods traded-in to the seller as per terms of of the contract.

6. The holder of a retail installment contract may, if the contract so provides, collect a delinquency and collection charge on each installment in default for a period not less than 10 days in any amount not in excess of 5% of each installment or $5, whichever is less.

7. No retail installment contract shall require the execution of any negotiable promissory notes which when negotiated to third parties will "cut off" as to these parties any right of action or defense which the buyer may have against the seller.
   NOTE: This effectively changes the U.C.C. rules relating to the rights of holders in due course. However, if there is a clause in the contract in which the consumer-buyer agrees that he will not assert any defense against the assignees who acquires the contract in

good faith and for value, such a clause is effective if the consumer-buyer fails to give notice to the assignee of his claim or defense within 10 days after receiving notice of the assignment.

8. Unless a consumer-buyer has notice of actual or intended assignment of a retail installment contract, payment under the contract made by the buyer to the last known holder of such contract shall be binding upon all subsequent holders of assignees.

9. No retail installment contract shall contain, among others, any provision that:

   a. accelerates arbitrarily the maturity of any part or all of the payments unless the buyer is in default;
   b. gives a power of attorney to confess judgment or an assignment of wages;
   c. permits the seller or a holder of the contract to enter the buyer's premises unlawfully, or to commit a breach of the peace in the repossession of the motor vehicle.

10. No installment contract may provide for a security interest in any personal property or realty other than the motor vehicle which is the subject-matter of the installment contract.

APPENDIX C

Significant changes regarding the age of majority, resulting from the 26th Amendment to the U. S. Constitution and 52 New York State Laws, Effective September 1, 1974.

1. *Banking Law* (C. 922) - Adopts age 18 for definition of majority generally except for New York Uniform Gifts to Minors Act.

   Reduces age requirement for directors from 21 to 18 years of age.

2. *Business Corporation Law* (CC. 899, 900) - Persons 18 years of age and over are now eligible to serve as both incorporators and as members of boards of directors.

3. *Civil Practice Law & Rules* (C. 924) - An infant now means a person who has not attained the age of 18 years.

   Tolling of the Statute of Limitations now terminates at age 18.

   Money deposited for the benefit of an infant by court order in banks or trust companies is now payable to the infant at age 18.

4. *Domestic Relations Law* (C. 920) - Act now refers to minors as persons under the age of 18 instead of 21.

   Surviving parent may appoint Guardian by deed or by last will for a child under 18 years of age.

5. *Estates Powers & Trusts Law* (C. 903) - An "infant" or "minor" now means a person who has not attained the age of 18 years; however, such a definition shall not apply to any provision of the New York Uniform Gifts to Minors Act nor to sections dealing with Foreign Guardians of nondomiciliary infants.

   The family exemption section has been changed to indicate that children under the age of 21 years qualify instead of merely making reference to minors.

6. *Family Court Act* (C. 937) - Adopts 18 as a general definition of an "infant" or "minor"; yet, keeps the parents' duty to support a child under the age of 21 years.

7. *General Business Law* (C. 902) - Section 130 of the General Business Law relating to the requirement of filing certificates in County Clerk Offices by persons conducting business under assumed names or as partners is amended to require the listing of the age of any such person less than 18 years of age.

8. *General Obligations Law* (C. 898) - The term "infant" or minor" means a person who has not attained the age of 18 years.

Contracts made on or after September 1, 1974, by a person after he has attained the age of 18 years may not be disaffirmed by him on the grounds of infancy.

Contracts made before September 1, 1974, by a person after he attained the age of 18 years, may not be disaffirmed by such a person on the grounds of infancy where such contract was made in connection with a business in which the infant was engaged and was reasonable and provident when made.

9. *Insurance Law* (C. 929) - Section 145 amended to allow a person 18 or over to contract for life insurance without restrictions regarding the naming of a designated beneficiary.

10. *Judiciary Law* (C. 890) - A person 18 years of age is now qualified for jury service.

11. *Mental Hygiene Law* (C. 931) - Drug addicts under the age of 18 may now be committed by a parent, legal guardian, or next of kin for treatment.

12. *Not-For-Profit Corporations* (C. 901) - Persons 18 years of age or over are now eligible to serve as incorporators.

13. *Public Officers* (C. 940) - Civil office holders must be 18 years or older at the time that they are chosen.

14. *Real Property* (C. 889) - The term "minor" now means a person who has not attained the age of 18 years.

15. *Surrogates' Court Procedure Act* (C. 904) - Section 103 (26) is amended to state that an "infant" is any person under the age of 18 years but that the new provision does not apply to the New York Uniform Gifts to Minors Act nor to applications for ancillary by foreign guardians.

16. *Village - - Elections & Office Holders* (C. 932) - Reduces age requirement to serve as an officeholder by election or appointment to 18 years of age.

17. *Volunteer Firemen* (C. 933) - Adds a new subdivision to Volunteer Fireman's Benefit Law which indicates that a "minor" means a person under 18.

18. *Workmen's Compensation Law* (C. 934) - A minor is now defined as a person who has not attained the age of 18 years of age.

APPENDIX D

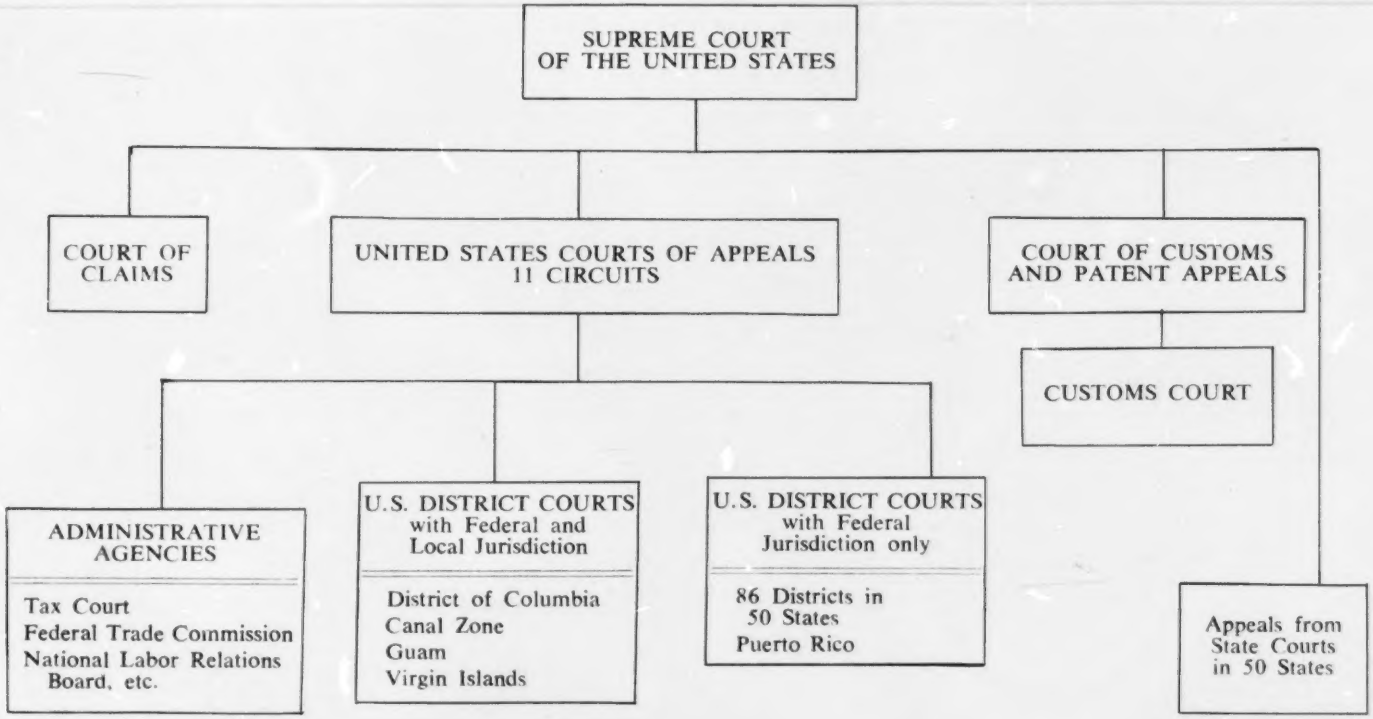
Illustrative charts which may be converted into transparencies to be projected on a screen for visual demonstration or explanation of legal concepts or procedures.

No.	Module Title	No.	Chart Title
1.	The Individual and The Legal Environment	1.	The United States Court System
1.	The Individual and The Legal Environment	2.	The N.Y. State Court System
1.	The Individual and The Legal Environment	3.	Initiating a Lawsuit
1.	The Individual and The Legal Environment	4.	The Trial
2.	The Legal Covenant	5.	Classification of Contracts
2.	The Legal Covenant	6.	Assignment of a Contract
4.	Real Property	7.	Ownership of Real Property
5.	Transportation and Travel	8.	Automobile Insurance
6.	Paying for Goods and Services	9.	The Check and The Promissory Note
6.	Paying for Goods and Services	10.	Kinds of Endorsement
7.	Family Protection	11.	Life Insurance Policy
7.	Family Protection	12.	Distribution of Property Without a Will
9.	Business Ownership	13.	Types of Partnerships

Duplication masters also may be made through use of a thermal copier so copies of selected charts may be distributed to the students for their personal use.

THE UNITED STATES COURT SYSTEM

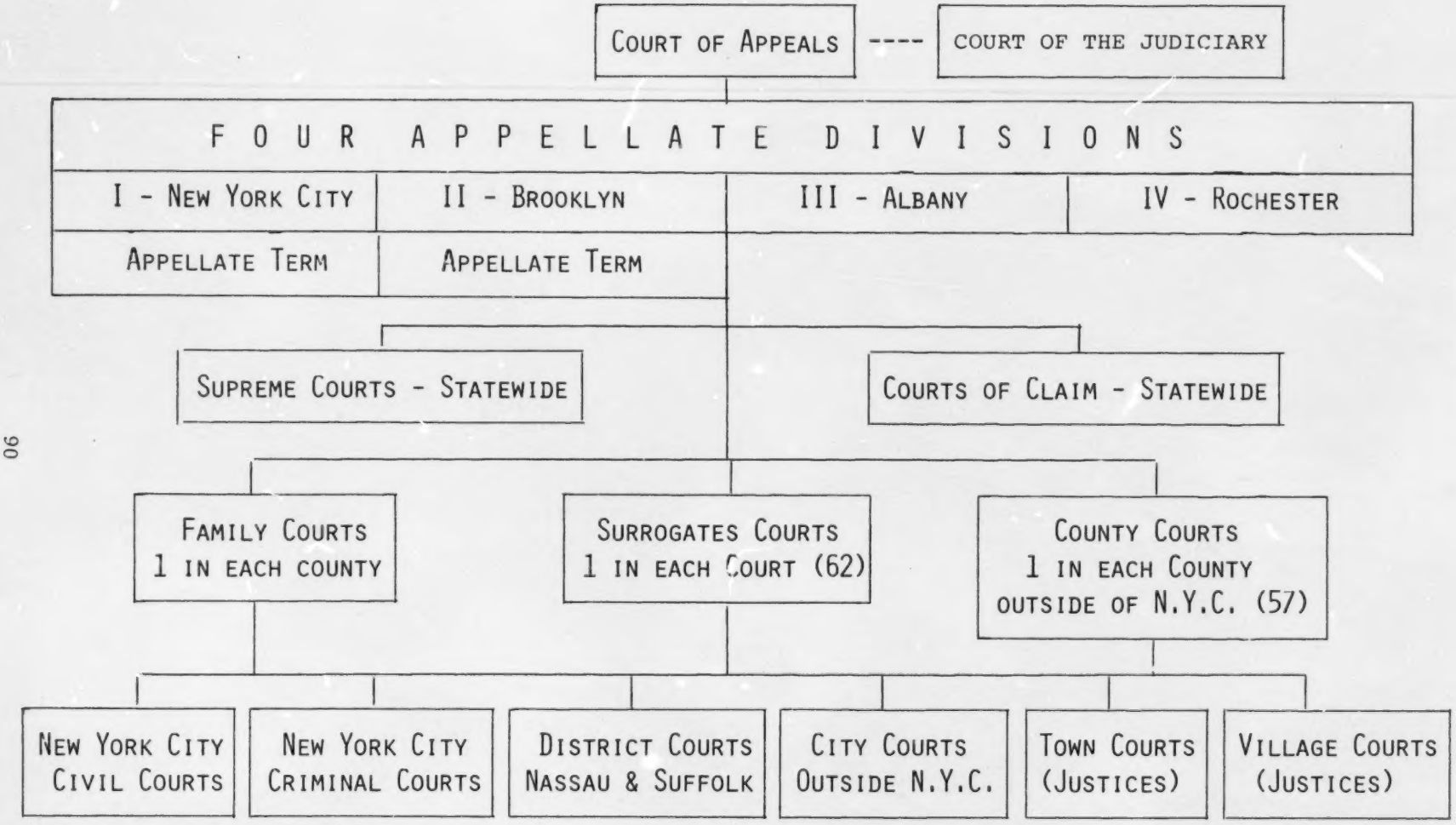
#1


SUPREME COURT OF THE UNITED STATES
COURT OF CLAIMS
UNITED STATES COURTS OF APPEALS 11 CIRCUITS
COURT OF CUSTOMS AND PATENT APPEALS
CUSTOMS COURT
ADMINISTRATIVE AGENCIES
Tax Court
Federal Trade Commission
National Labor Relations Board, etc.
U.S. DISTRICT COURTS with Federal and Local Jurisdiction
District of Columbia
Canal Zone
Guam
Virgin Islands
U.S. DISTRICT COURTS with Federal Jurisdiction only
86 Districts in 50 States
Puerto Rico
Appeals from State Courts in 50 States

For Use With Module 1. The Individual and The Legal Environment

NEW YORK STATE COURT SYSTEM

#2



FOR USE WITH MODULE 1: THE INDIVIDUAL AND THE LEGAL ENVIRONMENT

INITIATING A LAWSUIT

#3

CIVIL SUIT	CRIMINAL SUIT
Plaintiff Files a Petition Complaint or Declaration	Plaintiff (The People) File Complaint or Declaration
Court Issues a Summons to Defendant Ordering Him/Her to appear to answer charges	Evidence is Presented to a Grand Jury Which Decides if a Crime was Committed
Defendant Files an Answer or Plea	
Complaint and Pleadings Decide Issues to be Argued	Defendant is Indicated OR Charge is Dismissed (Formally Accused)
Court of Equity: The Judge Decides the Case -OR- Court of Law: The Jury Decides the Case	
Case Put on Court Docket (Calendar)	Case Put on Court Docket (Calendar)
Trial Jury Selected	Trial Jury Selected
Subpoenas Issued for Witnesses	Subpoenas Issued for Witnesses

For Use With Module 1: The Individual and The Legal Environment

THE TRIAL

Civil and Criminal Cases

1. Opening Statement
2. Testimony and Evidence Entered
3. Summation - Closing Arguments
4. Judge Determines Issues of Law and Charges (Instructs) Jury
5. Trial Jury Deliberates Evidence (Issues of Fact)
6. Verdict by Jury

Civil Case	Criminal Case
7. Recording of Judgment by Court	7. Sentencing by Judge
8. May Appeal to A High Court and Have Decision Reversed	
9. If Not, Judgement is Executed (Carried Out)	9. If Not, Pay Fine or Serve Sentence

HOW TO USE THE CLASSIFICATION OF CONTRACTS VISUAL #5

Use this visual as a review after covering the material on the classification of contracts.

This presentation is an excellent means of reinforcing definitions and presenting legal terminology that appear in numerous case situations throughout the course.

STEP 1 - Show the whole visual, then cover the left half.

Ask students to supply the word that completes the definition. Ask for examples of each type of contract.

STEP 2 - Reveal right half.

Verify or reinforce definitions.

For Use With Module 2. The Legal Covenant

CONTRACTS ARE CREATED BY:

WORDS, WRITTEN OR SPOKEN	EXPRESS
ACTIONS OR CONDUCT	IMPLIED
THE COURT, OR BY LAW	QUASI

CLASSIFIED AS:

FORMAL	REQUIRING SOME SPECIAL FORM TO BE VALID
SIMPLE	ALL OTHER CONTRACTS

94

AND IN TERMS OF PERFORMANCE AS:

FULLY PERFORMED BY BOTH PARTIES	EXECUTED
NOT FULLY PERFORMED BY BOTH PARTIES.	EXECUTORY

Assignment of a Contract

#6

The contract: A is to deliver B 200 gallons of maple syrup at $2.00 a gallon.

Rights of the parties: A - to receive $400 in payment for the syrup.
B - to receive 200 gallons of maple syrup.

Rule of law: Rights to a contract may be assigned.

Assignment which may be made by A

A (Assignor) — A may direct B to pay $400 to C — B

Assignment (to collect $400)

B would pay C

C (Assignee)

C now has the right to receive the $400

Assignment which may be made by B

A — B may direct A to deliver syrup to X — B (Assignor)

A would deliver to X

Assignment (to receive syrup)

X (Assignee)

X now has the right to receive the syrup

STEP 1 - COVER THE VISUAL SO THAT ONLY THE HEADINGS SHOW

State that there are five kinds, or legal definitions, of ownership of real property.

Explain that we shall now look at each type of ownership to see:

1. How many persons own the property
2. Whether each owner has equal share in the property
3. Whether several owners bought the property at the same time
4. Whether each owner can sell his share without permission from the other owners
5. Who gets the share of property when the owner dies

STEP 2 - LOWER THE COVER TO REVEAL THE FIRST SECTION

In discussing condominiums, refer to Tenancy in Severalty and Tenancy by the Entireties

STEP 3 - LOWER THE COVER TO REVEAL SHARES IN PROPERTY

Clarify what is meant by shares or interest in property

STEP 4 - LOWER THE COVER TO REVEAL ACQUISITION OF PROPERTY

STEP 5 - LOWER THE COVER TO REVEAL SELLING OF SHARES

Ask students to determine what type of ownership occurs when a joint tenant sells his share.

STEP 6 - LOWER THE COVER TO REVEAL DISPOSITION OF PROPERTY UPON DEATH OF AN OWNER

STEP 7 - REMOVE COVER

Discuss how a creditor can place a claim against property in a tenancy by the entireties.

Explain that there are stipulations in ownership of condominium property that restrict individual owners from selling shares in the public portion of the property.

OWNERSHIP OF REAL PROPERTY

#7

TENANCY IN SEVERALTY	JOINT TENANCY	TENANCY BY THE ENTIRETIES	TENANCY IN COMMON	CONDOMINIUM
OWNED BY ONE PERSON	TWO OR MORE OWNERS	SAME AS JOINT TENANCY, ONLY HUSBAND AND WIFE	TWO OR MORE OWNERS	OWNERSHIP IN AN APARTMENT ONE OWNER IN SEVERALTY HUSBAND AND WIFE = BY THE ENTIRETIES
	EQUAL SHARES IN PROPERTY	EQUAL SHARES IN PROPERTY	MAY OR MAY NOT BE EQUAL SHARES	
	PROPERTY ACQUIRED AT SAME TIME	PROPERTY ACQUIRED AT SAME TIME	PROPERTY ACQUIRED AT DIFFERENT TIME	
	MAY SELL SHARE TO OWNERS	MAY NOT SELL SHARE WITHOUT PERMISSION	MAY SELL SHARE TO OTHERS	
	AT DEATH, OTHER OWNERS GET SHARE	AT DEATH, SPOUSE GETS SHARE	AT DEATH, HEIRS GET SHARE	
		CREDITORS OF ONE CANNOT PLACE A CLAIM AGAINST THE PROPERTY.		TENANTS IN COMMON OF PUBLIC PORTION OF THE PROPERTY.

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AUTOMOBILE INSURANCE #8

Coverage	Protection for you and your family	Protection for Others
Bodily Injury Liability* (No Fault)	Bodily injury to the driver and passengers in your car or while they are alighting from your car	Bodily injury to pedestrians, drivers and passengers on motorcycles, bicycles.
Uninsured Motorist* Protection	Protection from loss caused by uninsured or hit-and-run drivers	Passengers in your vehicles. Protection from loss caused by uninsured or hit-and-run drivers
Medical Payments	Reasonable medical expenses incurred while a passenger or while entering or leaving your vehicle	Reasonable medical expenses incurred while a passenger or while entering or leaving your vehicle
Property Damage Liability*		Losses to property caused by your vehicle
Comprehensive Physical Damage	All losses to your vehicle other than by collision or upset (Subject to Exclusions)	
Collision	Losses to your vehicle caused by collision or upset	

*COMPULSORY

THE CHECK

#9

NO. _____ $ _____
DATE _____ 19___
TO _____
FOR _____

	DOLLARS	CENTS
BALANCE		
AMT. DEPOSITED		
TOTAL		
AMT. THIS CHECK		
BALANCE		

CENTRAL BANK AND TRUST CO.
270 MADISON AVENUE
NEW YORK · NEW YORK · 10016

NO. _____

60-2780
313

PAY _____ 19___
TO THE
ORDER OF _____ $ _____

_____ DOLLARS

JAMES C. OR MARY B. WESTON

_____
Treasurer

⑆021000067⑆ 242-0-024180⑈

THE PROMISSORY NOTE

$ _____ _____ N.Y. _____ 19___

_____ AFTER DATE _____ PROMISE TO PAY

TO THE ORDER OF _____

_____ DOLLARS

PAYABLE AT _____

VALUE RECEIVED WITH INTEREST AT _____

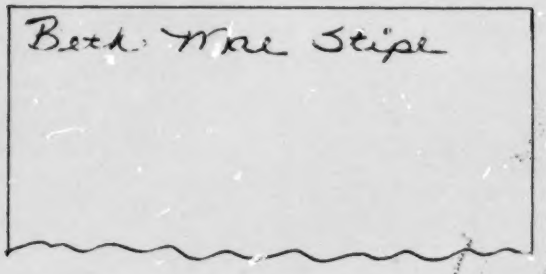
NAME _____

No.

DUE _____

FOR USE WITH MODULE 6. PAYING FOR GOODS AND SERVICES

KINDS OF ENDORSEMENT #10



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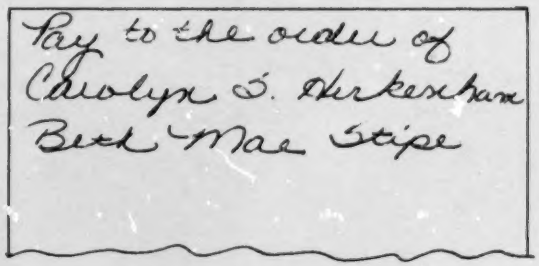
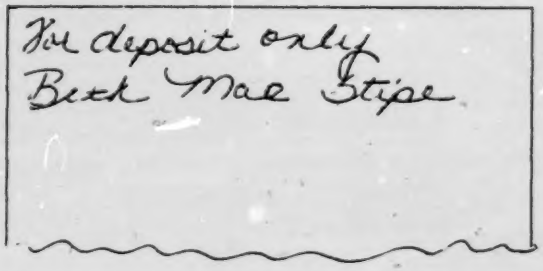
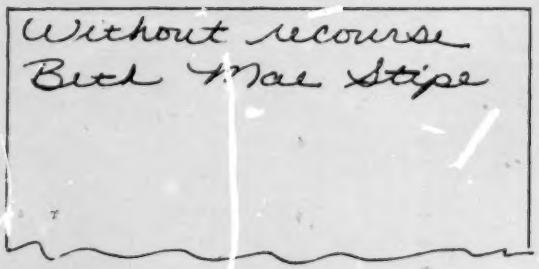


SPECIAL OR FULL



RESTRICTIVE



QUALIFIED

100

HOW TO USE THE LIFE INSURANCE VISUAL #11

Preparing The Visual: Mount The base visual. Align Overlays with + mark on base. Attach visuals to mount.

Using The Visual: The visual may be used one overlay at a time as the material is being presented or as a review at the end of the module.

Step 1 - Show The Base Visual

Terminology to be covered:

- Parties to the contract (insured - insurer)
- Consideration (premium)
- Minimum Age Requirements (14½)
- Types of policies (whole-Life, limited payment, endowment)

Step 2 - Show Overlay 1

Discuss:

- The questions asked on the Application
- What effect does mistatement of age have?
- Whom does the incontestible clause protect?

Step 3 - Show Overlay 2

State the effect of the expiration of the incontestable clause
Describe a situation of not being able to pay a premium on the due date.
Define grace period.

Step 4 - Show Overlay 3

Describe the operation of the automatic premium loan clause
Define lapse
Explain each nonforfeiture option. Emphasize that equity in the policy is not lost.

Step 5 - Show Overlay 4

Explain that on the death of the insured, or when the policy matures the beneficiary has a choice of how to collect the proceeds of the policy.
Differentiate between the proceeds and the face value of the policy.
Explain the various settlement options.

For Use With Module 7. Family Protection

LIFE INSURANCE POLICY _ OVERLAY #1

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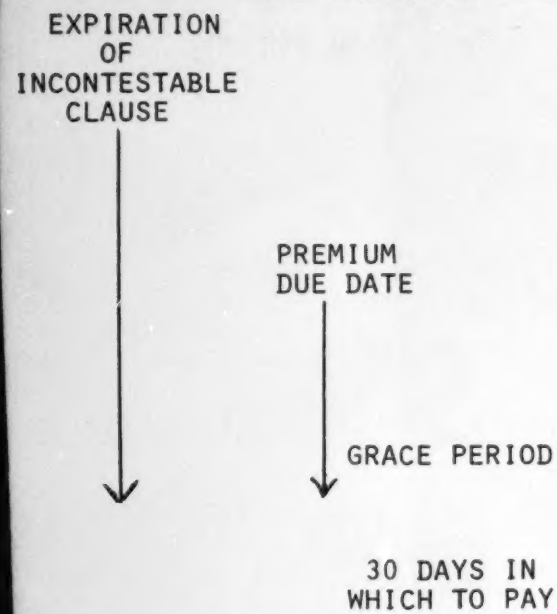
LIFE INSURANCE POLICY - OVERLAY #2

#11



LIFE INSURANCE POLICY - OVERLAY #3

#11

AUTOMATIC
PREMIUM
LOAN TAKES
EFFECT

POLICY
LAPSES

OR

NON-FORFEITURE
OPTIONS

1. PAID-UP INSURANCE
2. EXTENDED TERM
3. CASH OR LOAN VALUE

LIFE INSURANCE POLICY - OVERLAY #4

#11

SETTLEMENT
OPTIONS

1. LUMP SUM
2. FIXED PERIOD
3. FIXED AMOUNT
4. INTEREST
5. LIFE INCOME

105

Distribution of Property Without a Will
(Estates, Powers and Trust Law 4-1.1.)

#12

If Nearest Relatives Are:	Shares
SPOUSE AND ISSUE	TO SPOUSE: $2,000, PLUS ONE-HALF OF BALANCE IF ONLY ONE CHILD AND NO ISSUE OF DECEASED CHILD SURVIVE OR IF ISSUE OF ONLY ONE DECEASED CHILD SURVIVE(S); OTHERWISE $2,000 PLUS ONE-THIRD OF BALANCE. TO ISSUE: REMAINDER
SPOUSE AND PARENT(S)	TO SPOUSE: $25,000 PLUS ONE-HALF OF BALANCE. TO PARENT(S): REMAINDER
SPOUSE AND NO ISSUE OR PARENT(S)	ALL TO SPOUSE
CHILDREN OR THEIR ISSUE	ALL
PARENT(S)	ALL
BROTHER(S), SISTER(S), OR THEIR ISSUE	ALL
GRANDPARENT(S) OR THEIR ISSUE	ALL
GREAT-GRANDPARENTS OR THEIR ISSUE	ALL (EFFECTIVE MARCH 30, 1971)
OTHERS	NOTHING (ALL TO STATE)

106

STEP 1 - COVER THE VISUAL SO THAT ONLY THE TITLES SHOW

	Participation in Business	Relationship To The Public	Liability

Ask students to name the different types of partners

STEP 2 - MOVE THE COVER TO REVEAL THE TYPES OF PARTNERS

	Participation in Business	Relationship To The Public	Liability
General			
Secret			
Silent			
Limited or Special			

Have students be prepared to tell whether each type of partner is:

1. Active in the operation of the business
2. Known or unknown to the public
3. Liable for the debts of the partnership

STEP 3 - MOVE THE COVER DOWN TO REVEAL THE FIRST LINE

	Participation in Business	Relationship To The Public	Liability
General	Active	Known	Unlimited
Secret			
Silent			
Limited or Special			

STEPS 4, 5, 6 - FOLLOW THE SAME PROCEDURE FOR EACH TYPE OF PARTNER

ADDITIONAL - COVER THE VISUAL AND HAVE STUDENTS NAME THE PARTNERS WHO ARE:

1. Active in the operation of the business
2. Known to the public
3. Liable only to the amount of their investment

TYPES OF PARTNERS

#13

KIND OF PARTNERSHIP	PARTICIPATION IN BUSINESS	RELATIONSHIP TO THE PUBLIC	DEGREE OF LIABILITY
GENERAL	ACTIVE	KNOWN	UNLIMITED
SECRET	ACTIVE	UNKNOWN	UNLIMITED
SILENT	NOT ACTIVE	MAY OR MAY NOT BE KNOWN	UNLIMITED
LIMITED OR SPECIAL	NOT ACTIVE	KNOWN	LIMITED TO INVESTMENT